

The Impact of Strategic Management Practices on Business Performance of SMEs in Western Province, Sri Lanka.

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ABSTRACT

Small and Medium-Sized Enterprises (SMEs) play a significant role in fostering inclusive growth in Sri Lankan contemporary economy. Despite their importance, SMEs are frequently confronted with a variety of challenges that impede their growth and optimal performance. Admittedly, when these challenges are not addressed, SMEs have an enormous likelihood of failure. Hence, embracing strategic management practices conceptually enables companies to deal with difficulties, comprehend their strategic position, and discover the ways to make strategic choices for the foreseeable future, while overseeing strategy in action. Even though numerous amounts of study available to use in a foreign context, such contents are insufficiently relevant for Sri Lankan contexts. Hence, there is a gap in the knowledge of strategic management practices among SMEs. Accordingly, the purpose of this study is to investigate the impact of strategic management practices on the business performance of SMEs in the Western province of Sri Lanka.

A positivist research philosophy led the study, while a quantitative method and a cross-sectional survey design were put in place. The unit of analysis is SMEs, while the owners, directors, and managers of SMEs are the respondents. Structured questionnaires are employed to collect data using the Google form-based method under simple random sampling techniques. A sample size of 380 SMEs covering all sectors that exist in the study area was drawn from a population of 37,264 SMEs. Descriptive and Inferential statistics are used to empirically and statistically analyze the data collected for the study with the aid of SPSS version 25. Pearson correlation is used to examine the relationship between constructs, whilst Multiple regression analyses is used to test the hypotheses. The findings reveal that environmental scanning had the highest positive impact on SME's performance followed by strategy implementation, strategy formulation, and strategy evaluation showed a significant positive impact on performance. Therefore, this study concludes that SME owners/managers must embrace proper strategic management practices as a holistic process in order to achieve the expected performance in SMEs. It is consequently recommended that top management for all the SMEs strive to make the strategic management process as inclusive as possible from the lower-level employees to senior management.

Keywords: Strategic management practices, Environmental scanning, Strategy formulation, Strategy implementation, Strategy evaluation, SME performance

INTRODUCTION

Today's global competitive climate has compelled SMEs in both developed and emerging economies to act strategically. This is mainly because strategy is a powerful management tool that allows SMEs to become more powerful, competitive and successful. In reality, small-scale enterprise is the real fabric of both emerging and developed countries' economic progress (Fatoki, 2019). Further, SMEs also could be acknowledged as the country's lifeblood and driving force towards economic growth and sustainability (Mumbe & Njuguna, 2019). From the standpoint of globalization, researchers explored the significance of SMEs in development and their contribution in terms of GDP growth, poverty alleviation and rural development, enhancing employment prospects, impartial distribution of scarce resources, embarking on innovation, income distribution stabilization, regional development, an increase in domestic savings, the contribution of export earnings and fostering entrepreneurship (Bandara et al., 2020; Beck et al., 2005; Cravo & Piza, 2019; Keskin et al., 2010).

In developed countries, SMEs account for more than 99% of all businesses. For Instance: the USA, European countries, and Japan. Thus, they provide almost two-thirds of employment prospects to the private sector (Fatoki, 2019). In contrast, SMEs in emerging nations provide more than half of the gross domestic product (GDP) and account for nearly 70% of total employment (World Bank, 2021). When considering about Sri Lankan context, 80% of businesses are recognized as SMEs, while these firms generate up to 52% of the gross domestic output (EDB, 2021; Ministry of Industry and Commerce, 2015).

Despite the fact that SMEs from all over the world including Sri Lanka have made significant contributions, the failure rate of SMEs is very high. Approximately 85% of SMEs face survival challenges, and more than 75% of SMEs have closed down in the first five years (Bandara et al., 2020). According to the Sri Lankan enterprise survey, the growth rate of Sri Lankan SMEs was 2.9%, which is much lower compared to the global rate of 5.2 (Amaradiwakara & Gunatilake, 2016). Therefore, it suggests that these firms were either unable to sustain or never reached their position within their context. Concisely, even when business owners establish their firms with positive intentions and hard effort, some businesses succeed as expected while others fail. Accordingly, lack of proper business planning, insufficient accounting, and financial processing systems, lack of well-trained employees, insufficient managerial capabilities, limited operating budget and start-up funds, and most notably, a lack of innovative strategy usage and a dearth of understanding of a company's growth strategies directly

influences the failure of SMEs (Ekanayake et al., 2020; Koech & Were, 2016; Majama & Magang, 2017). Jayasundara et al. (2019) elaborated that low level of management practices and other managerial mistakes (including inadequate business vision along with expertise, poor goal setting, inability to create a strategic plan of action, unfavorable organizational structure as well as culture, reluctance to change, uncontrollable environmental factors, significant challenges during execution which were not anticipated, strategic decision makers abandoning the company during implementation, top management is lacking in enthusiasm, intermediate managers are not participating in formulating strategies, and most importantly, there is an inadequate level of information dissemination within the firms) have been recognized as the primary causes of SME failure in the Sri Lankan context. These difficulties pose a substantially greater danger to small and medium-sized organizations (SMEs) due to their smaller size, economies of scale, and limitations on resources, in comparison to large firms (Warusavitarana et al., 2020).

Under the above situation, proper practice of strategic management could be introduced as one of the prominent and vital determinants of maintaining SME development and survival in the contemporary market (Ali & Qun, 2019). Because today's business environment is continually changing and market circumstances are becoming more ambiguous. These market conditions are determined by turbulence, uncertainty, chaos, complexity, ambiguity, and fierce competition. Instead of applying traditional procedures, modern researchers, experts, and even entrepreneurs recognized strategic management practices as radical approaches and distinctive choices for reaching relevant markets (I. Wilson, 1994).

Aside from the aforementioned discussion, strategic management practices lead to enhancements in SMEs' performance. As stated by Wheelen & Hunger (2012), strategic management is a collection of managerial actions and choices that influence a business's long-term performance. In simple terms, a company's performance can be characterized as the capacity to meet consumer demand while being effective and achieving the intended results at a low cost (Kirigo, 2008; Mumbe & Njuguna, 2019). In fact, in the modern SME business climate, the entire performance and long-term success of businesses are significantly reliant on strategic management methods (Farrukh et al., 2021; Javed & Husain, 2021). Accordingly, the necessity of strategic management concepts and practices in small and medium-sized businesses can be connected to the shifting business conditions. Undoubtedly, strategic management can be thought of as a lighthouse since it gives broad guidance to the business as to where the enterprise is heading.

Research problem of the study

Companies must continually seek out novel and dynamic approaches to conducting their operations in today's competitive marketplace (Kotler & Keller, 2012). Accordingly, small and medium-sized firms can only maintain effective operations and sustain their business if they have proper strategical approaches in place. Besides, Olannye & Edward (2016) and Stephen et al. (2019), also clarified that strategy is a crucial aspect in order to survive in the current business environment and resilience in the face of fierce competition. Furthermore, strategy literature asserted that businesses "must actively plan for the future" in order to compete effectively and thrive (Ennis, 1998, p. 54).

Despite the fact that the need for strategic management practices is constantly developing, usability in strategic practices has been recognized as inadequate in SMEs. This is because of the insights and considerable operational gaps associated with the practices of strategy among SMEs. Further consideration of gaps related to strategic management the main deficiencies are that there is a dearth of quantitative studies on strategic management practices, and large businesses frequently deploy strategic management practices and reap the benefits, but SMEs do not frequently embrace strategic management practices, and previous research findings appear mixed, owing to disparities in conceptualizations and measurements of both strategic management dimensions and business performance (Pearce et al., 1987; Veliyath & Shortell, 2007).

Accordingly, these limited scopes of strategic management practices among SMEs and scant attention to further studies could be a devastating effect on the business processes, performances and company wellbeing. Therefore, developing a more nuanced understanding of the strategic management practices of SMEs could identify collective strategical issues and develop solutions to further enhance long-term sustainability and growth through the findings of this research. Furthermore, the inconsistent findings and lack of relevant updated studies suggest that the impact of strategic management practices on SME performance in Sri Lanka still needs to be investigated (Pushpakumari & Wijetunge, 2014). Thus, this study will construct an adequate conclusion of strategic management practices (SMP) related dimensions to address these identified theoretical, contextual, and empirical gaps, which can ultimately conclude as the "Knowledge gap on the strategic management practices in the Sri Lankan context". Consequently, this study is intended to address the research problem is, "What is the impact of strategic management practices on the business performance of SMEs in Western Province, Sri Lanka?"

Research questions

To address the gap of the study and based on the research problem, the following research questions will be answered.

- What is the impact of strategic management practices on the business performance among SMEs in Western Province, Sri Lanka?
- What is the impact of environmental scanning on the business performance among SMEs in Western Province, Sri Lanka?
- What is the impact of strategy formulation on the business performance among SMEs in Western Province, Sri Lanka?
- What is the impact of strategy implementation on the business performance among SMEs in Western Province, Sri Lanka?
- What is the impact of strategy evaluation on the business performance among SMEs in Western Province, Sri Lanka?

Objectives of the research study

The main objective of the study is to investigate the impact of strategic management practices on business performance of SMEs in western province, Sri Lanka. The specific objectives are:

- To investigate the impact of environmental scanning on the business performance of SMEs in Western Province, Sri Lanka.
- To investigate the impact of strategy formulation on the business performance of SMEs in Western Province, Sri Lanka.
- To investigate the impact of strategy implementation on the business performance of SMEs in Western Province, Sri Lanka.
- To investigate the impact of strategy evaluation on the business performance of SMEs in Western Province, Sri Lanka.

LITERATURE REVIEW

Small and medium scale enterprises in Sri Lanka

In the Sri Lankan context, also SME sector is recognized as a foundation for economic development and lubricator for the development of entrepreneurial skills and innovation

(Ranatunga, 2022). SMEs include businesses in agriculture, mining, manufacturing, construction, and infrastructure development, as well as all other service sectors (Gunatilake, 2017). However, its relative significance in the national economy cannot be estimated due to a lack of information. Therefore, it may be considered that the accessible database is more reliable in providing some indicator of the sector's size on a comparative basis (Ranatunga, 2022). Accordingly, SMEs in Sri Lanka account for a significant portion of the economy, with over one million entities, indicating that more than 80% of businesses are SMEs. During the recent decade, these SMEs providing employment to around a 2.25million people approximately 75% of the overall workforce and contributed roughly 52% to GDP (ADB, 2021; Ministry of Industry and Commerce, 2015). Therefore it can be clarified that the Sri Lankan SMEs sector has dominated industrialization during last past decades, but in comparison to other countries, the number of Sri Lankan SMEs is low (Gamage, 2003). Particularly, around 90% of available organizations are micro-scale enterprises, 8% are small and medium-scale businesses, and 2% are large-scale businesses (Ministry of Industry and Commerce, 2015). Despite the fact that the country has a large number of Micro-scale enterprises, small and medium-sized businesses are underrepresented.

Conversely, like the world definition of SMEs, Sri Lanka also fail to develop a commonly accepted definition for SMEs. Various Government and Semi-government organizations describe SMEs according to their own perspectives and parameters. The Industrial Development Board (IDB) categorizes local SMEs depending on the number of employees and the firm's level of capital, such as organizations with a capital investment of less than Rs. 10 million and a total workforce of fewer than 50 individuals (Gamage, 2003). On the other hand, the Department of Small Industries (DSI) stated that in order to be recognized as an SME, personnel must be maintained below 100 and capital investment must be less than Rs. 25 million (Ponnamperuma, 2000; Sinnathurai, 2013). Upon reviewing many strands of literature, institutions, and contributors on the topic of SMEs, this study adapted a definition introduced in the national policy framework by the Ministry of Industry and Commerce in 2015. This definition describes SMEs based on the number of employees and an annual turnover (Table 1). According to the National Policy Framework, SMEs should have 11 to 300 employees and annual sales of Rs.16 million to Rs.750 million. Microscale firms, on the other hand, have fewer than 11 employees and yearly revenue of less than Rs. 15 million. This survey does not include micro-scale enterprises.

Table 1: Small and medium enterprises classification in Sri Lanka

Company Category	Manufacturing Sector		Service Sector	
	Number of employees	Annual Turnover (Million)	Number of Employees	Annual Turnover (Million)
Micro	1-10	≤ LKR 15	1-10	≤ LKR 15
Small	11-50	LKR 16-250	11-50	LKR 16-250
Medium	51-300	LKR 251-750	51-300	LKR 251-750

Source: National Policy Framework for SME development/ Ministry of Industry and commerce (2015)

Definition of strategic management

There is no agreement on a single, commonly acknowledged definition of strategic management (Eren & Birinci, 2013). Over the years, Strategic management concept has given several meanings, and often somewhat loosely by various thinkers, philosophers and practitioners due to their variety of backgrounds, diverse conceptualizations and context of studies. According to Nag et al. (2007), strategic management is complex to describe since it is a relatively young field rooted in several disciplines.

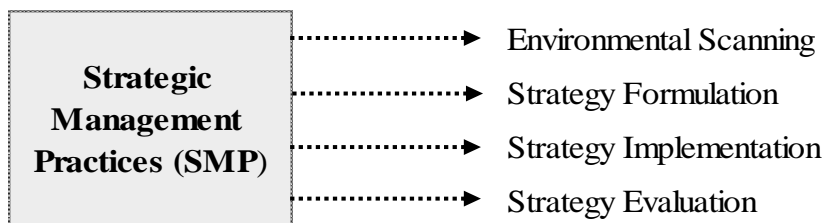
Under that circumstance, strategic management can be characterized as the formal process of establishing the company vision and mission, assessing the internal and external environment, developing strategies within limited resources, executing strategies, and reviewing the strategies (David, 2011). Moreover, Strategic management is the art and science of developing, executing, and evaluating cross-functional decisions that enable a company to accomplish its goals (Branislav, 2014). According to Ramachandran et al. (2006), strategic management expresses how enterprises develop long-term competitive advantages through value creation. Furthermore, Wright et al. (1998) asserted that “Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved, assesses its competitors and set goals and strategies to meet all existing and potential competitors, and then reassess each strategy annually or quarterly, to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet the potential goals” (p. 18). Admittedly, all strategic management definitions have something in common; they all consist of setting goals and objectives, managing resources, analyzing

internal and external forces, developing strategies, execution of strategies, evaluation the effectiveness of implemented strategies and development of competitive advantage.

Dimensions of strategic management practices for the study

This study was intended to investigate the impact of strategic management practices on business performance in the Western province of Sri Lanka, based on the four-dimension framework introduced by Wheelen & Hunger (2012).

Figure 1: Dimensions of strategic management practices



Source: Wheelen & Hunger (2012)

Environmental scanning: Environmental scanning is also commonly referred to as environmental analysis. Environmental scanning is defined by Wheelen & Hunger (2012) as “the monitoring, assessing, and distributing of information from the external and internal environment to important personnel inside the firm”.

This is frequently the initial phase in the strategic management process, and it entails examining both the internal and external environments of the company. While internal analysis is utilized to discover different distinct competencies, external analysis supports the organization in recognizing opportunities and threats within its operational environment (Kraja & Osmani, 2013). Accordingly, the first phase in environment scanning is an internal study of the environment, which includes examining the internal capabilities (strengths and weaknesses (SWOT) of the organization's resources, such as personnel, procedures, and systems (De wit & Meyer, 2010). Another important aspect of environmental scanning is the assessment of changing customer preferences. In general, advancements in technology, changing habits, and novel products on the market all have an impact on shifting customer preferences. Therefore, the environmental scanning method assists in identifying variations in customer preferences and anticipating such changes, which is critical in dealing with the company's long-term development. Apart from PESTEL and SWOT analysis, there are various additional methods that businesses can use to scan their environment. Such as the extrapolation procedure (the

procedure of recording and analyzing previous data in order to predict the future); Intuitive reasoning (the manager makes future forecasts based on his convictions and logic. It is a type of intellectual forecasting in which management makes an impartial assumption about the future); Expert opinion (someone with specialized knowledge and expertise on certain subjects from outside the company are requested to measure changing environmental forces and anticipate the future); Brainstorming (a group problem-solving technique in which a group of individuals congregate, exchange opinions, and reach a consensus through collective discussion).

Strategic formulation: This entails developing a vision, converting the vision into a mission, defining long-term objectives, devising alternative strategies, and implementing policy guidelines and norms that strengthen the business's competitive edge (Branislav, 2014). Furthermore, as Burugo & Owour (2017) explain, strategy formulation is the process of establishing goals and determining the most effective plan of action for accomplishing those goals. Consequently, a company employs strategy formulation to plan for accomplishment and update workplace strategies as required. According to Thompson & Strickland (2003), strategy formulation is the phase or sub-process of strategic management that includes developing future direction, articulating objectives, and setting a route for the business to adhere to. Particularly, strategy formulation involves analyzing the outcomes of environmental scanning and then generating a set of strategic decisions on how the firm will compete (Abosedo et al., 2016). Therefore, strategy creation is critical for measuring and accomplishing the attainability of goals. Once developing strategies, a business often educates its personnel so that they understand the company mission, organizational objectives, and goals (Elbanna et al., 2018).

In particular, the strategy formulation process is mostly carried out at three levels in firms, and these levels of strategies may aid in aligning company activities and optimizing operations (Wheelen & Hunger, 2008). Accordingly, three levels of strategies are **1).** Corporate level (strategy is developed for the company as a whole. Further, corporate strategy is concerned with decisions pertaining to the numerous business sectors in which the business operates and competes); **2).** Business level (strategy is developed to turn the company vision into reality); and **3).** Functional level (strategy develop to accomplish the business unit level goals and objectives by using the organization's strengths and competencies).

Strategic implementation: Strategy implementation is frequently referred to as the "action stage" of strategic management. Despite the fact that developing a consistent strategy is

challenging work for any management team, however making the strategic plan a success and implementing it throughout the whole business is even more difficult. Therefore, an appropriate implementation process necessitates personal discipline, dedication, and sacrifice (David, 2011, p.7). As stated by David (2011), successful strategy execution is dependent on managers' capacity to inspire staff, which is known as more of an art than a science. However, strategies that are formulated but not implemented serve no useful purpose. Therefore, strategy implementation is critical since it involves action rather than simply contemplating ideas. According to Wheelen & Hunger (2001), strategy implementation is the totality of the actions and decisions necessary for the execution of a strategic plan in order to accomplish the objectives of the organization. Similarly, Wheelen & Hunger (2012) defined "Strategy implementation as the task of putting strategies into action, which includes designing, delivering, and supporting products; improving the efficiency and effectiveness of operations; and designing a company's organizational structure, control systems, and culture to improve performance" (p.21). Added to that, Thompson & Strickland (2003) stated that the final outcomes of strategy implementation have to guarantee that the company's vision, mission, strategy, and strategic objectives are accomplished effectively according to plan. In addition, (Rinaldo & Solimun, 2017) characterized "strategy implementation as a series of primarily administrative sub-activities aimed at determining how the organization's resources should be mobilized to achieve its strategy in a cohesive manner" (P.15).

Strategic evaluation: Strategy evaluation entails establishing control mechanisms to regularly analyze, evaluate, and convey feedback on implemented strategies in order to determine if the expected objectives are being achieved so that corrective steps may be applied if necessary (Wheelen & Hunger, 2012). According to Rao & Kushwaha (2015), "strategy assessment companies put up adequate oversight and control mechanisms, as well as establishing standards and targets to measure performance" (p.11). Hence, strategy evaluation could be described as the process of assessing the actual overall performance of a firm in order to assure effective strategy implementation and the final accomplishment of intended performance goals (Wheelen & Hunger, 2012). In other words, an organization analyses the difference between anticipated and actual outcomes while attempting to implement a problem-solving mechanism in order to maintain the system under control. Accordingly, the proper evaluation process is crucial to any company's well-being, especially if timely as it can caution management to potential problems before they become critically substantial (Ahmed & Mukhongo, 2017). Consequently, owners or managers have to comprehend when certain strategies are not

performing as expected, and strategy evaluation is a critical technique for obtaining this understanding. In addition, strategic evaluation is important because it generates inputs to future strategic planning, the desire for feedback, judging the validity of strategic choices, and highlighting potential risks connected to the present or proposed strategies (Koech & Were, 2016).

Business performance in small and medium scale enterprises

Business performance is described as a firm's strength and ability to accomplish pre-established goals and objectives by utilizing available resources most effectively and efficiently (Daft, 1997, 2009), and as stated by Alpkhan et al. (2005), "Business performance is also known as "the evaluation of efforts made toward accomplishing business objectives" (p.17). Performance is the ultimate outcome of operations carried out, and it is concerned with overall efficiency or productivity in any firm. In accordance with Nuvriasari et al. (2020), business performance measurements are essential for determining the level of success and how well firms achieve their specified goals and objectives for long-term wellbeing. Based on Venkatraman & Camillus (1984), company performance assists management in ascertaining if the organization is growing, declining, or stagnant. Particularly, one of the key objectives of the firm is to maximize profits, hence the notion of business performance is critical to businesses (Gure & Karugu, 2018). It is apparent that SMEs are not employing sophisticated and extensive accounting procedures to determine their performance, but instead rely on basic profitability measurements (Mutemi et al., 2014). In addition, organizational performance comprises of an organization's actual output assessed against its expected outputs (Katua et al., 2014). Business performance, on the other hand, is a chain that connects company vision, missions, values, and strategic objectives to divisional, departmental, and personal goals, objectives, and duties/targets (Armstrong, 2006; Hughes & Morgan, 2007).

Particularly, Business performance is a concept with multiple meanings in the literature. Most academicians consider SME performance to be noteworthy in terms of growth in revenue, investment efficiency, customer acquisition possibilities, expansion of market share, cash flow, return on assets, and return on equity. Thus, it may be perceived as a "complex series of actions incorporating capabilities and knowledge" (Haber & Reichel, 2005; Hoque et al., 2019).

However, it is evident that measuring business performance with a single financial parameter is problematic and is capable to generate biased outcomes (Aggarwal & Gupta, 2006; Clark, 1999; Murphy et al., 1996). Further, Lumpkin & Dess (1996) argued that business performance

is a multidimensional aspect that does not merely include financial performances. In addition, Kawira (2020) argued that non-financial indicators are deemed to be more reliable and easily available than account-based indicators and so preferable to financial measures. It is also recognized as an important measure of entrepreneurial activity in small businesses. Furthermore, financial measurements are considered unstable and susceptible to shifting industry-related circumstances (Bandara et al., 2020). Financial measurements can also be easily manipulated and hence do not accurately reflect real performance (Kawira, 2020). Moreover, an overreliance on financial measures may limit future competitive edge since they may not adequately reflect future performance drivers (Kawira, 2020). Therefore, financial performance is overly broad and typically looks backward rather than onward. According to previously published studies, most SMEs in Sri Lanka neglect to maintain accurate financial records and are hesitant to divulge information even when it is accessible (Wijewardena et al., 2004). As a consequence, using financial factors as a single criterion is inadequate.

After carefully investigating extant literature, this study also used both financial and non-financial parameters (objective and subjective measurement) as metrics to evaluate business performance. The financial parameters include sales growth, profit growth, and market share growth, while non-financial parameters are the level of employee growth and level of customer growth and satisfaction (Hughes & Morgan, 2007; Li et al., 2009; Murphy et al., 1996).

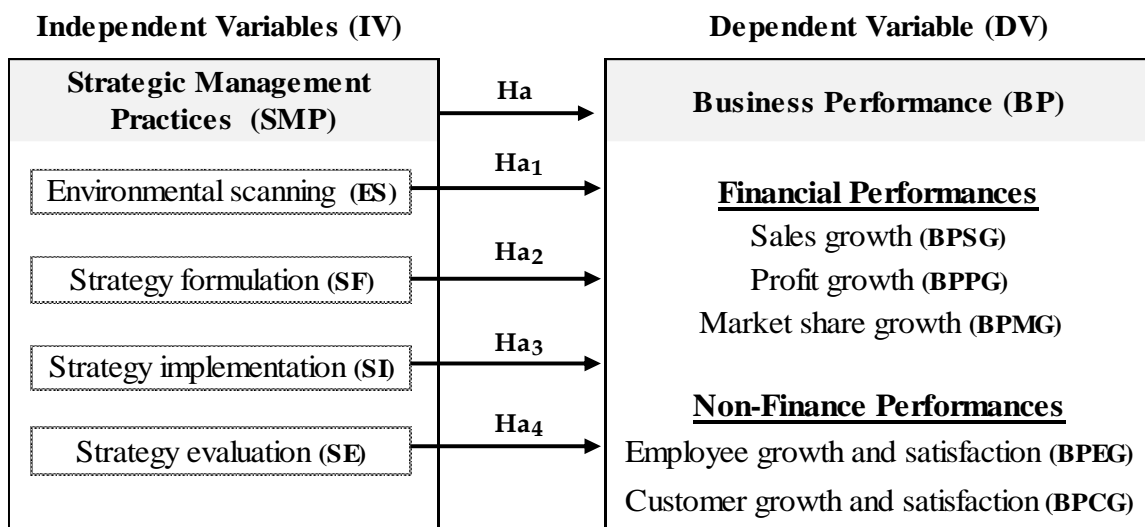
Strategic management practices and business performance

The relationship between strategic management practices and SME business performance has been established throughout time. Evidence in the literature, including Koech & Were (2016), Vitkauskaitė (2017), and Agwu (2018), demonstrated that a well-developed strategy, paired with effective and efficient execution, is required for organizations to remain competitive, improve performance, and assure continuous growth. Furthermore, Strategic management practices improve performance by generating relevant information, improving knowledge of the environment, and minimizing uncertainty. According to Porter (2004), organizational success is defined by the business's capacity to discover its distinctive position, and strategic management practice is the instrument that allows the firm to obtain that strategic position.

However, observing existing research articles in the literature, we can observe that researchers have become various conclusions on this domain. But, a limited number of studies have been done related to the impact of strategic management practices and their dimension on SME performance and growth in the Sri Lanka context. More importantly, Wheelen & Hunger

(2012) have developed a four-dimension framework of strategic management practices, and that study was thoroughly focused on whole aspects of the strategic management development. Therefore, this invaluable study is widely used by many scholars for their research. Accordingly, various studies utilizing the strategic management practices four-dimension model, as well as other important studies relevant to SMP and BP, are critically described below,

According to the extant literature, stimulating the strategic management process improves both the company performance and well-being of small-scale businesses (Dauda et al., 2010). Therefore, strategic management practices enable SMEs to confront issues by understanding their operational environment, developing strategies to counteract risks in the environment, and seizing opportunities in the environment, which leads to performance and growth (Sopha & Kwasira, 2016). Since it has not adequately examined quantitative research related to the strategic management practices in the Sri Lankan context, this study tends to fill that gap and contribute new knowledge to strategic management and business performances for further development of the Sri Lankan SMEs ecosystem. Accordingly, these arguments lead to finding the answer to the research question of “What is the impact of strategic management practices on the business performance among SMEs in Western province, Sri Lanka”.



Conceptual framework of the study

Linking Strategic management dimensions and Business performance

Hypothesis 01 (Ha): There is a significant positive impact of strategic management practices on business performance in SMEs.

Hypothesis 02 (Ha1): There is a significant positive impact of environmental scanning on business performance in SMEs.

Hypothesis 03 (Ha2): There is a significant positive impact of strategy formulation on business performance in SMEs.

Hypothesis 04 (Ha3): There is a significant positive impact of strategy implementation on business performance in SMEs.

Hypothesis 05 (Ha4): There is a significant positive impact of strategy implementation on business performance in SMEs.

RESEARCH METHODOLOGY

Research design and Rationale

In this study to achieve the objectives, the quantitative research method was used because it concentrates on collecting numerical data and generalizing its findings across groups of individuals and describing a specific phenomenon.

The rationale behind the selection of the quantitative method for this study is that it is beneficial for obtaining useful data from a larger sample size with a diverse range of respondents, as well as for reducing research time and effort by employing statistical data for study description and analysis (Bryman & Bell, 2003, p. 45). In fact, using unbiased statistics, a researcher can effectively describe and communicate quantitative results. In addition, a well-completed quantitative analysis helps researchers to generalize the findings to a larger or selected entire population (Williams, 2021). Therefore, probability sampling is a viable technique for the way this research seeks to generate an adequate representative sample in order to fulfill the generalization expectations.

Additionally, the descriptive research design was used since it aids in understanding what is occurring in a specific context with a known population or phenomenon. According to Malhotra & Birks (2007), the descriptive research method is also important to apply when there are particular problems, explicit assumptions, and a detailed set of knowledge. Therefore, this research design method is most suitable for this study as it aids in answering the research

problem, *"What is the impact of strategic management practices on the business performance among SMEs in Western Province, Sri Lanka?"*. Particularly, the descriptive research design is in accordance with the quantitative research method chosen to achieve the study's overall aim (Hempenius, 2012). Further, taking into account the practicality of performing the research, this study was undertaken as a theory-testing (Deductive) study to evaluate the notion of strategic management by validating hypotheses. The deductive manner is generally highlighted as a highly structured methodology that moves from theory to data and emphasizes the importance of selecting sufficiently large samples in order to generalize conclusions (Saunders et al., 2019). As a result of these generalizations, the researcher expects to forecast, explain, and comprehend important subject results (Kangasmäki, 2014). Admittedly, the deductive approach is most likely to be based on the positivist research philosophy (Saunders et al., 2019). In addition, the descriptive survey design was selected as the research strategy since it consists of a cross-sectional design in which data is obtained by questionnaire. Hair et al., (2018) emphasized that quantitative research immensely focuses on standardized questions and predetermined response alternatives in surveys delivered to large groups of people. Indeed, surveys are frequently used in descriptive research to collect information about individuals, events, or situations (Dewasiri, 2022). Besides, this study used a cross-sectional research design because the data was collected at a single point in time (Sekaran & Bougie, 2016; Zikmund et al., 2013). Particularly, the cross-sectional design was applied because it reduces time, which is significant in this study (Sekaran & Bougie, 2016; Wilson, 2014).

Study population

The population of interest for this study comprised of the registered small and medium-scale enterprises in the Western province of Sri Lanka. The Western province specially selected as a geographical location because of the high number of SMEs are established and operating within this province (DCS Sri Lanka, 2016). Considering the availability of real time updated SMEs population, reliability of data, and the number of years of establishment of the database, the researcher intends to select the database belonging to (SED) the Small Enterprises Development Division. This government entity is crucial in the development of SMEs capabilities and provides the maximum possible contribution to National development through SMEs development. Accordingly, the population of this study is 37,264 (as of 25th April 2022) based on the database of SED. SMEs in each district of Colombo, Gampaha, and Kalutara were

identified independently, and the number of SMEs in each district was proportionately selected for the study sample.

Unit of analysis

The main purpose of the research is to investigate the impact of strategic management practices on business performance in SMEs. In fact, the strategic management attempts of the SMEs are clearly visible in the decisions of owners (Entrepreneurs), directors, and managers of the company (Wheelen & Hunger, 2001). Furthermore, because of their in-depth knowledge of the company, these individuals are considered the primary source of business information (Aziz & Omar, 2013). Hence, the findings of this research can be directly embedded into the managerial decision-making process as well as strategy implementation process. Therefore, this research focused on identifying these participants as a Unit of Analysis to conduct the survey.

Sampling frame, sampling design procedures and sample size

The sampling frame of this research consists of all the registered small and medium scaled enterprises in the western province under the database of the Small Enterprises Development Division (SED).

Table 2: Sampling frame (District wise)

Province	District	Population
Western	Colombo	8,503
	Gampaha	11,704
	Kalutara	17,057
	Total (Western Province)	37,264

Source: Small Enterprises Development Division (SED) – 2022

Moreover, it is impractical to collect data from every person or entity in the population while performing research over a short period of time (Kumar, 2019). In this instance, a subset of the population is required to collect data for the study. Thus, Sampling is a technique that enables researchers to infer information about a population based on the outcomes of that subset (Sekaran & Bougie, 2016). Consequently, a probability sampling method is used in this study because it has been shown to be the most reliable method for selecting a sample that represents an entire population (Bryman & Bell, 2003). Further, this research has used a simple random sampling method under probability sampling. Bryman and Bell (2003) recommend using this strategy when subgroups of a population have no consequence on the survey's results. Because

it assures that each element has the exact same possibility of being chosen as the subject (Sekaran & Bougie, 2016). Since the sampling frame is known, the random sampling method appears to be more viable and appropriate for this study.

The Simple random method is the most direct, and uncomplicated among the probability sampling methods since it simply requires a single random selection and needs only minimal prior understanding of the chosen population (Boohene et al., 2012). In fact, one effective method for avoiding or reducing sampling bias is to select elements for the population randomly, and this random sample method also provides a high likelihood for findings to be generalizable (Sekaran & Bougie, 2016). Bryman and Bell (2003) elaborated that when the population size is large, there is a disadvantage to using simple random sampling. However, this study used an online survey through Google Forms. As a result, the time-intensive nature of surveying a large population can be neglected.

The sample is a scrupulously chosen subset or fraction of the population. The researcher should be able to make conclusions that are generalizable to the population of interest by studying the sample (Sekaran & Bougie, 2016). This study's sample was derived from a population of 37,264 SED-registered small and medium-scaled enterprises in the Western province. The sample size was determined using the published formula by Morgan and Krejcie, (1970). Based on the published formula for selecting the sample size. Hence, the estimated sample size for this study is 380 (Sample includes: 138 SMEs from Gampaha, 113 from Colombo, and 52 from Kaluthara. Besides 33 unusable and 44 Non-responses).

Source of data collection and data collection procedures

The Structured Survey Questionnaire (SSQ) was utilized as the principal source of primary data collection. In general, a questionnaire is a well-structured and well-written instrument that provides respondents with a list of relevant questions or statements to which they respond by writing their own responses or choosing the most appropriate answer from a list of options. The research questionnaire in this study is aimed at business owners (Entrepreneurs), directors, and managers who are responsible for strategic management decisions connected to the operation of SMEs. In particular, the use of multiple respondents in different industries increased the reliability of the data collected and resulted in less bias.

Furthermore, the study sample was drawn from the entire Western province, which includes three districts. Hence, it is impractical to physically visit every organization within this limited

data collection period. Consequently, this study used an electronic approach (Email mode) to deliver surveys questionnaire to a predetermined sample of respondents. The survey questionnaire was created using Google Forms, and the URL link was then attached to emails and forwarded to the relevant participants. In particular, Google Forms can be linked to spreadsheets (MS. Excel) for further data development and management. With the progress of contemporary technology, this form of data collection is more convenient for the research process (Zahra, 2005). In general, most modern SME managers and owners conduct their operations through the internet (Hanmaikyur, 2016). Admittedly, email based structured survey questionnaire (SSQ) consists of outstanding benefits.

Data collection instrument and measurements for main analyses

This study's research instrument was a questionnaire, which was primarily designed to elicit needed information from SME owners. Particularly, the research survey instrument in this study was developed using constructs adapted from previous literature, such as strategic management practices and business performance dimensions. Further, the questionnaire was divided into sections, and the questions were kept simple, precise, and concise to allow for easy comprehension by respondents. Therefore, the questionnaire was comprised of three sections: **Section 01:** which gathered background information of the business and owner (Respondent demographics), and **Section 02:** measured the independent variables which consist of “environmental scanning, strategy formulation, strategy implementation and strategy evaluation” while **Section 03:** measured business performance as a dependent variable, which includes both financial and non-financial dimensions.

DATA PRESENTATION AND ANALYSIS

Reliability and validity of the study

This study conducted the pilot survey in order to establish proper reliability and validity results for the study. Firstly, the Kaiser-Meyer-Olkin measure and the Bartlett test were used to analyze the sample adequacy of the pilot data set before moving on to factor analysis to examine the validity of the strategic management practices and business performance scale. In this pilot study, overall KMO was 0.829, suggesting that the data were eligible for factor analysis. Furthermore, the values of Bartlett's test of sphericity (chi-square with degrees of freedom $X^2(741) = 9014.08$, $r = 0.000$ ($p < 0.001$)) support statistical significance, indicating that the variables' relationships are at a satisfactory level.

Secondly, exploratory factor analysis (EFA) was performed in accordance with the principal component extraction method and the orthogonal rotation method. Consequently, a five-factor solution was developed that explained 67.25% of the overall variance. The majority of the components loaded extremely well, with communalities of 0.505 or higher. Consequently, the coefficients for the factor loadings ranged from 0.505 to 0.826, which is significantly higher than recommended value by Hair et al. (2010).

Furthermore, the pilot study was conducted followed by the computation of the Cronbach's alpha coefficient for each variable to ensure the reliability of this study. Consequently, the calculated overall reliability value of this study is $\alpha = 0.857$. Further, Cronbach's alpha for each factor: factor 1 (Business performance), factor 2 (Strategy formulation), factor 3 (Strategy implementation), factor 4 (Environmental scanning), and factor 5 (Strategy evaluation) were 0.888, 0.896, 0.883, 0.835 and 0.784 respectively.

In the main study, the overall Cronbach alpha value of 0.889 was found to be suitable for this analysis. Furthermore, the alpha values for individual items used to measure SMP and BP dimensions variables range from 0.784 to 0.899. The next validation step was the further analysis of internal consistency reliability, and convergent validity of the model using AVE and CR. "The AVE value was computed by the mean square of loads of all indicators associated with the construct" (Sarstedt et al., 2014). An acceptable AVE is 0.50 or above; the construct explains at least 50% of the variance in its elements. In this sense, the elements of the strategic management practices and business performance constructs in this study have an AVE between 0.502 to 0.540, thus manifesting convergent validity. Similarly, the composite reliability (CR) was also measured, and it also ranges from 0.856 to 0.902. Admittedly, this was also above the threshold level of 0.70. Thus, the above results of the study reveal that all items for each construct are adequately represented and show sufficient reliability. Further, this confirms the validity of the constructs.

To further ascertain convergent validity, the indicators for each latent construct should have positive factor loadings greater than or equal to 0.50, at which point one-dimensionality will be obtained (Tabachnick & Fidell, 2007). Accordingly, exploratory factor analysis was carried out using the principal component approach with Varimax rotation. According to the results all loadings/communality were higher than 0.50. However, before undertaking Factor analysis, sample adequacy must be assessed. Accordingly, Kaiser-Meyer-Olkin is a sample adequacy measure that was employed in the main study to assess the overall suitability of the data for

factor analysis. The Kaiser-Meyer-Olkin value was 0.838, indicating that the data used are highly suitable for factor analysis. A value greater than 0.80 ($KMO \geq 0.80$) is considered Meritorious. The values of Bartlett's Test of Sphericity verified statistical significance (chi-square with degrees of freedom $X^2(1128) = 7071.947$, $r = .0000$ ($p < 0.001$), this demonstrated that the variables' associations were satisfactory, suggesting that the data in this study was acceptable for factor analysis, as proven by the results of the Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity. The factor solution generated from this analysis yielded five scale factors, accounting for 67.34% of the overall variation in the data. Accordingly, Factor analysis carried out on business performance (dependent variable) had all the indicators scoring factor loadings ranging from 0.505 – 0.838 and were therefore 13 items retained for further analysis. The sample was also adequate because the individual Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) obtained was 0.915, which was greater than the 0.7 criteria. Similarly, the business performance variable factor constructed was able to explain 78.179 % >70% of the individual variance, indicating that the variables comprehensively accounted for the variation in the factor. Furthermore, the other four factors (environmental scanning, strategy formulation, strategy implementation and strategy evaluation) scored individual factor loadings ranging between 0.524 – 0.906, which was more than 0.5 and were therefore 35 items retained for further analysis. The sample was adequate since individual Kaiser-Meyer-Olkin's measure of sampling adequacy (KMO) attained 0.772, 0.829, 0.782, and 0.877 respectively, which was above the threshold of 0.7. In conclusion, all of the measured values are above the threshold level and within the existing rule of thumbs. Therefore, the above details clarified that the study ensured reliability, construct validity, and convergent validity.

The relationship between strategic management practices (SMP) and business performance (BP) in SMEs

A correlation matrix of all the constructs is provided in Table 3 to show how these constructs are interrelated with one another. Initial inspection of the correlation matrix makes it evident that positive support exists for hypotheses that the four strategic management dimensions contribute to business performance. As a consequence, all of the correlation coefficients between the constructs in this study reveal a weak, moderate, or high positive correlation.

Accordingly, strategy formulation has a weak and positive relationship with environmental scanning, indicating a 0.204 absolute value. Similarly, the results revealed that strategy implementation (0.358) and strategy evaluation (0.220) have a weak but significant positive

correlation with environmental scanning. On the other hand, the correlation coefficient of strategy formulation related to strategy implementation and strategy evaluation indicate a moderate and positive correlation, representing 0.535 and 0.560, respectively. Furthermore, strategy implementation is weakly and positively associated with strategy evaluation, indicating 0.198. More importantly, these absolute correlation coefficient values are significant at the 0.01 or 0.05 level ($P=0.000 < 0.01$ or 0.05).

Particularly concerning the SM dimensions and business performance (Table 3), results reveal an absolute correlation value of 0.616 (p-value 0.000) for environmental scanning, and 0.605 (p-value 0.000) for strategy implementation, which shows a strong and significantly positive relationship with SME business performance. This implies that environmental scanning and strategy implementation practices are highly contributing to increasing the business performance of SMEs in Sri Lanka, especially in the Western province. Conversely, strategy formulation, and strategy evaluation have absolute correlation values of 0.425 (p-value 0.000), and 0.407 (p-value 0.000), respectively. Consequently, it shows moderate significant positive relationships with the business performance of SMEs. Admittedly, the findings demonstrate that the four elements of strategic management practices have a significant beneficial impact on SME business performance. Thus, it was clarified that environmental scanning ($r=0.616$) had the highest correlation with business performance in SMEs, followed by strategy implementation ($r=0.605$), both of which had a strong positive correlation. On the other hand, strategy evolution had the lowest but moderate correlation ($r=0.407$) with SME performance.

Table 3: Correlation analysis for overall model

	01	02	03	04	05
01 Environment scanning	1				
02 Strategy formulation	.204**	1			
03 Strategy implementation	.358**	.535**	1		
04 Strategy evaluation	.220**	.560**	.198**	1	
05 Business Performance	.616**	.425**	.605**	.407**	1

** Correlation is significant at the 0.01 level (2-tailed)

Weak Correlation ($0.2 \leq r < 0.4$)	Moderately Correlation ($0.4 \leq r < 0.6$)	Strong Correlation ($0.6 \leq r \leq 0.8$)
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Note: Color Key determined according to Cohen (1988) and Hair et al. (2007)

Source: SPSS computation output based on survey data (2023)

Simple linear regression analysis to test the effect of Strategic management practices and business performance.

Hypothesis test 01 of strategic management practices carries a significant positive impact on business performance as a whole. Accordingly, the dependent variable business performance was regressed on predicting variable of overall strategic management practices to test the hypothesis Ha. The (R^2) value was used to understand of variance in the dependent variable that is related to SMP. From the results shown in Table 4, the (R^2) is 0.623, indicating that 62.3% of the variation in business performance can be explained by the changes in overall strategic management practices, leaving 37.7% unexplained (error term).

Further, the calculated correlation coefficient (R) is 0.790. This ascertains that strategic management practices have a strong impact on the business performance of SMEs. Further, the ANOVA regression results on the overall strategic management practices produced an $F(1, 301) = 498.397$, $p < 0.001$. Admittedly, the model of strategic management practices and business performance of SMEs was overall significant at $\alpha=0.05$. Thus, it asserted that the data fits the model. The regression outputs for strategic management practices was positive and significant ($\beta_a=1.109$, $t = 22.325$, $p < .001^*$). Since $\beta_a = 1.109$, it can be concluded that one-unit increase in overall strategic management practices increases business performance by 1.109 units. Moreover, strategic management is individually significant since the p-value $=0.000 < 0.05$. Hence, it concludes that strategic management practices had a significant positive impact on the business performance of SMEs in the Western province of Sri Lanka.

Table 4: Simple regression results on SMP and BP

Hypothesis	Regression Weights	Unstandardized Coefficients: β_a	Standardized Coefficients: Beta	R^2	F	t	p-value
Ha	SMP → BP	1.109	0.790	0.623	498.397	22.325	0.000*

Note: * $p < 0.01$; SMP: Strategic management practices; BP: Business performance

Source: SPSS computation output based on survey data (2023)

Multiple linear regression analysis to test the combined effect of SM dimensions

Multiple regression analyses were used to assess the predetermined hypotheses accurately. Accordingly, as presented in the result of the R-value (0.815) in the model summary of the regression analysis shows a very strong correlation between the combination of predictors (environment scanning, strategy formulation, strategy implementation, strategy evaluation) and business performance. The SPSS output for coefficient of multiple determination (R²: 0.665) shows that 66.5% of the variations in business performance are influenced by the combined variability of (environment scanning, strategy formulation, strategy implementation, strategy evaluation), while 33.5% can be attributed to unexplained variation captured by the error term.

Table 5: Overall model summary: SM dimensions and BP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.815 ^a	0.665	0.660	0.45377	1.638

a. Predictors: (Constant), Strategy evaluation, Strategy formulation, Strategy implementation, Environment scanning

Source: SPSS computation output based on survey data (2023)

Similarly, a regression analysis of variance (ANOVA) test was considered to determine if the conceptual model was successful in describing the association between variables as hypothesized in the conceptual model at a 5% level of significance. According to the results in Table 6, F-value (4, 298) = 147.633 and is highly statistically significant at $p=0.000 < 0.05$ level of significance. This implies that the research model is a good fit for explaining the impact of strategic management practices on the business performance of small and medium-sized enterprises.

Table 6: ANOVA regression results on the overall model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121.593	4	30.398	147.633	.001 ^b
	Residual	61.359	298	0.206		
	Total	182.953	302			

b. Significant Value $p < 0.05$ or $p < 0.01$

Based on the study hypothesis, the a priori expectation of all β coefficients is expected to be positive $\beta > 0$, meaning that all the SM dimensions are anticipated to significantly and positively impact SME businesses' performance. Accordingly, results of regression coefficient weight for overall SM dimension in Table 7 showed significantly positive impact on business performance of SMEs, such as environment scanning ($\beta_1 = 0.390$, $t = 10.241$, $p = 0.000 < 0.05$), strategy formulation ($\beta_2 = 0.210$, $t = 7.564$, $p = 0.000 < 0.05$), strategy implementation ($\beta_3 = 0.378$, $t = 10.855$, $p = 0.000 < 0.05$), and strategy evaluation ($\beta_7 = 0.168$, $t = 5.843$, $p = 0.000 < 0.05$), which all SM dimensions in line with a prior expectation that $\beta > 0$. Further, it can be concluded that one-unit increase in environment scanning, strategy formulation, strategy implementation, and strategy evaluation, will enhance business performance by 0.390, 0.210, 0.378, and 0.168 units, respectively.

Table 7: Regression analysis results on the overall model

Model	Unstandardized Coefficients		Standardize	t	Sig.
	β	Std. Error	Beta		
1 (Constant)	0.528	0.153		3.446	0.001*
Environment scanning	0.390	0.038	0.377	10.241	0.000*
Strategy formulation	0.210	0.028	0.262	7.564	0.000*
Strategy implementation	0.378	0.035	0.394	10.855	0.000*
Strategy evaluation	0.168	0.029	0.204	5.843	0.000*

a. Dependent Variable: Business performance

*Note: * $p < 0.05$; $p < 0.01$*

Source: SPSS computation output based on survey data (2023)

DISCUSSION OF RESEARCH FINDINGS

Particularly, many scholars in management believed that solid strategic management practices have a major favorable influence on an entrepreneurial firm's success. As a consequence, Lawal et al. (2012) investigated the association between strategic management and company performance and discovered substantial proof indicating there is a strong relationship between

the adoption of strategic practices and company performance. Garad et al. (2007) investigated the association between strategic management and company performance in Mogadishu, Somalia. To determine the nature of the associations, the study used both descriptive and correlation research approaches. The Spearman correlation statistical technique was used to examine the data in order to identify the association among the variables listed. Accordingly, the findings demonstrated a somewhat favorable and statistically significant association between strategic management and company performance. In a similar vein, prominent scholars of Aldehayyat & Twaissi (2011); Alhroob et al. (2017); Ali & Qun (2019); Amurle et al. (2013); Aremu et al. (2015); Basse & Isayas (2022); Burugo & Owour (2017); Dauda et al. (2010); Hrebiniak & William (2005); Jooste & Fourie (2009); Kaplan & Norton (2004); Kihara et al. (2016); Kraja & Osmani (2013); Lawal et al. (2012); Lynch (2015); Makanga & Paul (2017); Maroa & Muturi (2015); Muriuki et al. (2017); Mutemi et al. (2014); Njeru (2015); Noble (1999); Otieno et al. (2018); Phina (2020); Sial et al. (2013); Sopha & Kwasira (2016); Sorooshian et al. (2010); Teece (2014); and Thompson & Strickland (2003) elaborated that the strategic management practices of environmental scanning, strategy formulation, strategy implementation, and strategy evaluation positively affect the overall performance of SMEs.

Maldeniya et al. (2021) also conducted a quantitative research study on strategic management approaches used by SMEs in Sri Lanka. According to the published literature, this is the sole research on the impact of strategic management practices on SME performance in Sri Lanka. According to the findings, strategic management practices have an enormous influence on the performance of SMEs in terms of market share, revenue, profitability, and return on investment.

However, the finding of this study contradicts the findings of Muogbo (2013), who claimed that strategic management was not yet a mainstream business practice among Anambra State manufacturing enterprises in Nigeria. Similarly, Adeyemi et al. (2017) claim that owners and managers of SMEs in Nigeria are unaware of the significance of strategic management practice to the performance of their firm and how it may be applied. In addition, Sajuyigbe et al. (2015) acknowledged that irrational strategic management adoption among SME operators in Nigeria has not had a beneficial and substantial influence on the growth and prosperity of SMEs. Finally, Abodunde (2020) asserted that the reckless adoption of strategic management

approaches by SMEs in Nigeria has adversely impacted the development and accomplishments of expected performances.

CONCLUSIONS, AND RECOMMENDATIONS

Conclusion drawn from the findings

In the real world, large companies have long employed strategic management practices successfully to handle uncertainty and improve long-term development and profitability. Due to existing and future environmental uncertainties, small and medium-sized enterprises (SMEs) must embrace strategic management to remain in equilibrium with their external environment in order to survive and thrive. It is undeniable that SMEs typically operate in a fragmented industrial structure in which enterprises compete to capture a comparably small part of the entire market. Based on the purpose of the study with an in-depth review of the examined literature and findings on this analysis, it is apparent that strategic management practices are imperative in an SME that intends to achieve its goals and objectives that support the country's economic growth. Accordingly, SMEs that adopt strategic management outperform and have a greater likelihood of achieving success than those that do not (Alimi & Alese, 2014; Ijir & Gbegi, 2015). As a consequence of today's global competitiveness climate, it is highly recommended that every business needs to think and act strategically in order to ensure long-term existence. According to Thompson et al. (2007), the core of the excellent strategy is to develop a market position strong enough and a company capable enough to deliver successful performance in the face of unanticipated events, fierce rivalry, internal challenges, and external impediments. However, the current study concluded that though strategic management practices are not yet a prevalent business practice among SME firms in Sri Lankan context. Even though strategic management practices have been acknowledged as an indispensable tool for enhancing the competitiveness, performance levels, and structural growth of the SMEs, still Sri Lankan SMEs remain unaware, consequently lagging behind the adaptation to the business process. Accordingly, the empirical findings reported in this study shed new light on the strategic management setting, revealing that strategic management practices have a significant positive impact on the business performance of SMEs related to the study setting of the Western province of Sri Lanka. Consequently, the outcomes strongly indicate that all the objectives of the study were duly achieved.

Particularly, all of the SM dimensions are directly correlated with one another. The study also revealed that when these variables are employed collectively as a continuous process, business performance improves tremendously. More importantly, environmental scanning has a greater proportion in explaining business performance both individually and collectively. Following that, strategy implementation, strategy formulation, and strategy evaluation all contribute immensely to the advancement of business performance.

Indeed, every phase of the strategic management process is extremely important. If the business environment has not been critically examined, it appeared that firms will not grasp their own capabilities or business possibilities from where appropriate strategies are crafted to facilitate a fit and success. Therefore, environmental analysis, as the first and most visible strategic management practice, should investigate and analyze the political, economic, social, and technological events and trends that affect a firm, an industry, or even the whole market. Furthermore, this practice aids in observing the environment in order to adapt to a constantly changing and unpredictable atmosphere. Accordingly, environmental scanning in SMEs entails observing both internal environmental factors (strength, weakness, culture, structure, and resources) and external environmental factors (opportunity and threats). It is true that the entire strategic management process determines whether a company flourishes, survives or dies, depending on the way stakeholders approach it. Ultimately, it would be concluded that all components of strategic management practices have a positive and statistically significant impact on improving SME performance. Accordingly, the stated conclusion was exceptionally formed from the study based purely on the research findings. Consequently, all of the study objectives have been satisfied since each research question has been answered in a trustworthy, specific, and comprehensive manner.

Implication of the findings

This study provided empirical evidence that strategic management is a remedy to the precarious situation that SMEs in Sri Lanka confront. Furthermore, research findings indicate numerous prospects and methods for the radical use of the concepts of strategic management to improve business performance and long-term sustainability, thus enhancing the country's existing economic situation. On the other hand, the findings of this study have a significant and positive influence on the generation of new knowledge, and policy formation, reinforcing the underpinning of strategic management theory, aid in content development of future studies, and businesses at large. Accordingly, the findings of the study serve as an eye-opener to SMEs

operators/managers, and policymakers on the need to commit and include members of staff in the strategic management process.

- **Contribution to knowledge and academic literature**

The implications of this research for academic literature and knowledge are extensive. Accordingly, the findings of this research adding to the literature aim to draw attention to and address the apparent invisibility of the usage of strategic management practices. It is obvious that many studies in strategic management have been conducted in the Western context. However, in the Sri Lankan context, there is a scarcity of research on strategic management. Accordingly, the quantitative findings of this study will contribute by extending the body of knowledge and bridging the gap that exists across the study areas in literature, especially by employing SM dimensions in a proportion that other studies have overlooked. In this respect, our research could potentially be used to improve the generalizability and validity of the measuring instrument and the strategy theory created in more "Sri Lankan" contexts. Indeed, adding new knowledge to existing strategic management theory would constitute an expansion of the discipline and a further contribution to academic literature in a different manner.

- **Practical implications on business and practitioners**

To the best of the authors' knowledge, and based on an empirically examined search of peer-reviewed databases, there is no prior quantitative study in the context of Sri Lanka that has assessed the combination of SMP dimensions and financial and non-financial business indicators employed in this study. Therefore, this study provides several unique practical implications for SME owners, directors, and other practitioners that help to enhance SMEs development.

It has been observed that SMEs in Sri Lanka still required to embrace adequate strategic management practices in their operations. Scholars have determined that most SMEs have yet to grasp the significance of strategic management practices as vital success components of their businesses (Ihua, 2009; Kraus, 2007; Kraus & Kauranen, 2009). Hence, it is anticipated that this study will make significant contributions to strengthening strategic management understanding and awareness among Sri Lankan SMEs. Furthermore, this study could also act as a guide for SME owners and managers in successfully implementing strategic management practices, allowing SMEs to play a more significant part in the economy. As a consequence of the findings of strategic management practices in this study, Sri Lankan SMEs could potentially

be able to confront the challenges of a dynamic, highly competitive, and uncertain business environment. Accordingly, it would also direct them toward making superior decisions regarding strategic management that could aid them improve business performance.

The aforementioned strategic management aspects indicate that properly established strategic management practices assist firms to determine direction and growth through a process of formulation, implementation, assessment, and advancement that can assist in identifying new company goals and setting acceptable and realistic short and long-term objectives. Furthermore, the strategic management process establishes a company's vision and mission. Consequently, it establishes a framework and defines clear boundaries for making crucial business decisions that help in attaining the intended level of the firm. Further findings of this study clarified that an adequate strategic management approach enables SMEs to be forward-thinking by allowing top managers and the board to concentrate on the company's future rather than day-to-day activities. In other words, they concentrate their efforts on tasks that will most substantially enhance the company's success in the long term. Ultimately, the aforementioned evidence clarified that the most appropriate empirical and statistical knowledge generated through this research exerts an enormous effect on changing the current business environment in a positive manner.

- **Practical implications on policy makers**

One of the most prevalent issues that most policymakers are concerned about is how to enhance the economy by supporting small and medium-sized businesses in order to sustain economic development. Therefore, identifying successful strategies to assist and expand small and medium-sized firms (SMEs) is a key priority for policymakers in different regions of Sri Lanka. Accordingly, this study enables the policymakers in the SME sector to understand the key drivers of the strategy management process and their influence on performance in small and medium-scale enterprises in Sri Lanka. With this insight, the government could take on a more effective role as a policymaker in supporting and expanding the SME sector by providing support services, such as strategic management workshops and training, strategic awareness programs, strategy process development technologies, and knowledge for SME development to simplify successful strategies. Particularly, the conceptual framework as well as structured questionnaire proposed in this study would serve as a blueprint for the government and other policymakers in determining which significant and relevant aspects should be addressed when

thinking about improving the performance of SMEs. Thus, it would give direction to their policies thereby saving resources, time, and cost more adequately.

Recommendations in relation to the research findings

The findings revealed that adequate practices of strategic management lead to high levels of business performance. Therefore, it is critical for SME owners and managers to grasp effective strategic management practices in order to determine how to implement each practice to improve their business performance for the foreseeable future. Accordingly, a company should execute all four dimensions of strategic management collectively, since each element can assist to improve performance. Based on the findings of this study, the researcher provides the following recommendations on environmental scanning, strategy formulation, strategy implementation, and strategy evaluation.

- The reality is that SME owners, directors, and managers should increase their understanding of strategic management practices in situations when they are not competent enough by attending conferences, training sessions, and workshops.
- Furthermore, it would be recommended that environmental scanning be prioritized throughout the SME process.
- More importantly, instead of being reactive, the environmental scanning process should be proactive. Because business environment changes are unforeseen and unavoidable.
- The information gathered from the environment should be properly communicated to the relevant stakeholders of the business. Consequently, they are aware of the reality of the operation and could act accordingly.
- The present business environment is mostly an amalgamation of high technological advancements.
- Moreover, it is recommended that SMEs should not restrict themselves to environmental scanning techniques like SWOT and PEST analyses.
- Subsequently, the study recommends that all stakeholders of SMEs should involve when formulating and implementing strategies as well as take the necessary precautions through rigorous evaluation.

- Furthermore, it could be stipulated that in order for any company, large or little, to succeed, it must have a valid and strong strategic plan that serves as a compass for the firm. Through this strategic plan, SMEs owners should guarantee that they have a cause for being in the business (mission), what they aim to achieve in a certain time frame (vision), their short and long-term goals and objectives, and the manner in which they intend to accomplish all of them.
- SME managers/owners ought to stop thinking of their company as too small to engage in strategy creation and execution.
- Furthermore, management must take a high level of accountability during the strategy formulation and implementation processes.
- In addition, it could recommend that SME enterprises should seek out novel or radical approaches when formulating and implementing their strategic initiatives.
- Developing an operational plan, often known as an action plan, seems just a crucial factor in constructing a company's strategic plan.
- Every company should evaluate its strategic management processes on an annual basis to determine how well they are consistent with company objectives and goals.

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