

STRATEGIC MANAGEMENT PRACTICES AND THEIR IMPACT ON ORGANIZATIONAL PERFORMANCE: A STUDY OF SMES IN EMERGING MARKETS

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Abstract

This study examines the strategic management practices adopted by small and medium-sized enterprises (SMEs) in emerging markets and their impact on organizational performance through a comprehensive literature review. SMEs play a crucial role in economic development, especially in emerging markets, where they drive innovation, employment, and growth. However, their ability to sustain competitive advantage often depends on the effectiveness of their strategic management practices. This research aims to identify the strategic management practices that most significantly influence organizational performance and to analyze the contextual factors that affect their adoption and effectiveness in SMEs within emerging markets. By systematically reviewing existing academic literature, the study synthesizes findings on key practices such as strategic planning, environmental scanning, and adaptive capabilities, highlighting their role in enhancing organizational performance. The review also identifies external factors, such as market volatility, regulatory challenges, and resource limitations, that constrain the effectiveness of these practices. The study provides practical recommendations for SME managers to optimize their strategic management processes and offers insights for policymakers to create supportive environments for SME growth in emerging markets.

Keywords: *Strategic Management, Organizational Performance, Emerging Markets.*

A. INTRODUCTION

Small and medium-sized enterprises (SMEs) are recognized as critical drivers of economic growth and development, particularly in emerging markets where they contribute significantly to employment, innovation, and GDP (Beck & Demirguc-Kunt, 2006). However, despite their importance, SMEs in emerging markets face unique challenges that affect their sustainability and performance. These challenges range from limited access to capital and markets to regulatory hurdles and intense competition (Ayyagari, Demirguc-Kunt, & Maksimovic, 2011). In this context, strategic management practices become crucial for SMEs to navigate their complex environments, achieve competitive advantage, and enhance organizational performance (Wheelen & Hunger, 2012). Strategic management involves the formulation and implementation of major goals and initiatives taken by an organization's top management on behalf of owners, based on consideration of resources and an assessment of internal and external environments (David, 2011). For SMEs operating in emerging markets, effective strategic management practices such as strategic planning, environmental scanning, and adaptive capability development are essential for sustaining growth and ensuring long-term survival (Barney, 1991). These practices enable SMEs to respond proactively to environmental changes, optimize resource allocation, and capitalize on market opportunities (Porter, 1985). However, while the importance of strategic management is well-established in the literature, there remains a gap in understanding which specific practices are most effective for SMEs in the dynamic and often volatile context of emerging markets (Hoskisson et al., 2000).

Previous studies have highlighted the role of strategic planning in improving organizational performance by providing direction, facilitating resource allocation, and enhancing coordination across functions (Bryson, 2018). Strategic planning enables SMEs to set clear objectives, identify potential risks and opportunities, and develop action plans to achieve their goals. However, as noted by Grant (2003), the effectiveness of strategic planning in SMEs depends on the ability of managers to align plans with the external environment and internal capabilities. In emerging markets, where conditions are often uncertain and rapidly changing, flexibility and adaptability in strategic planning become critical (D'Aveni, Dagnino, & Smith, 2010).

Environmental scanning, another key component of strategic management, involves systematically monitoring the external environment to identify opportunities and threats that could impact an organization's strategy (Choo, 2001). For SMEs in emerging markets, environmental scanning is particularly important because it allows them to anticipate market trends, competitor moves, and regulatory changes that could affect their operations. Dess, Lumpkin, and Taylor (2005) suggest that effective environmental scanning helps SMEs make informed decisions and develop contingency plans to mitigate potential risks. However, the capacity of SMEs to conduct comprehensive environmental scanning is often limited by resource constraints, including time, expertise, and access to information (Julien & Ramangalahy, 2003). The concept of dynamic capabilities, which refers to an organization's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments, is increasingly recognized as vital for SMEs in emerging markets (Teece, Pisano, & Shuen, 1997). Dynamic capabilities such as innovation, agility, and strategic flexibility enable SMEs to adapt to new challenges and seize emerging opportunities, thus enhancing their competitive position and performance (Eisenhardt & Martin, 2000). However, developing these capabilities requires deliberate strategic effort and investment, which may be challenging for resource-constrained SMEs in emerging markets (Zahra, Sapienza, & Davidsson, 2006).

Despite the established benefits of strategic management practices, the extent to which these practices are adopted and their impact on organizational performance vary significantly among SMEs in emerging markets. Research by Khanna and Palepu (2010) suggests that institutional voids, such as underdeveloped financial markets and inadequate regulatory frameworks, pose significant barriers to the effective implementation of strategic management practices in these contexts. Additionally, Luo and Tung (2007) emphasize that cultural factors, such as managerial attitudes towards risk and decision-making styles, also influence the adoption of strategic management practices among SMEs. Given these complexities, this study aims to fill the gap in the literature by examining the strategic management practices adopted by SMEs in emerging markets and analyzing their impact on organizational performance. By employing a mixed-method approach, this research will provide both quantitative and qualitative insights into the effectiveness of various strategic management practices and the contextual factors that shape their adoption and outcomes. The findings are expected to contribute to the field of strategic management by offering evidence-based recommendations for SMEs and policymakers in emerging markets to enhance their strategic decision-making processes.

B. METHOD

This study utilizes a literature review methodology to explore the strategic management practices adopted by small and medium-sized enterprises (SMEs) in emerging markets and their impact on organizational performance. A comprehensive literature review approach was chosen to synthesize existing research, identify gaps, and build a theoretical framework that integrates various perspectives on strategic management and performance in the context of

SMEs operating in dynamic and volatile environments. The literature review involved systematically searching for relevant academic articles, books, and reports from reputable databases such as Scopus, Web of Science, Google Scholar, and JSTOR. The search criteria focused on key terms such as "strategic management," "SMEs," "organizational performance," "emerging markets," "competitive advantage," and "business strategy." The selection process included studies published within the last 20 years to ensure the inclusion of both foundational theories and recent advancements in the field. Additionally, studies focusing on specific strategic management practices—such as strategic planning, environmental scanning, dynamic capabilities, and innovation management—were prioritized to provide a comprehensive overview of the topic.

The review process involved three main stages: identification, analysis, and synthesis. In the identification stage, over 200 articles were initially selected based on their relevance to strategic management and SMEs in emerging markets. During the analysis stage, these articles were critically evaluated based on their methodologies, theoretical frameworks, findings, and contributions to the field. This critical analysis helped to identify common themes, patterns, and contradictions in the existing literature. In the synthesis stage, the insights gained from the analysis were integrated to develop a cohesive understanding of how different strategic management practices influence organizational performance in SMEs, particularly within the unique contexts of emerging markets. By using a literature review methodology, this study provides a detailed and holistic perspective on the current state of strategic management practices in SMEs and highlights the contextual factors that influence their adoption and effectiveness in emerging markets. The findings are expected to inform both academic research and practical applications, offering insights for SME managers on optimizing strategic management practices to enhance organizational performance in challenging environments.

C. RESULTS AND DISCUSSION

1. Strategic Planning as a Core Driver of Performance

The literature review reveals that strategic planning is consistently identified as a fundamental practice that significantly impacts organizational performance in small and medium-sized enterprises (SMEs) across emerging markets. Strategic planning involves setting clear objectives, allocating resources effectively, and formulating long-term strategies to achieve competitive advantage. For SMEs, which often operate with limited resources and face unpredictable market dynamics, strategic planning provides a structured approach to decision-making that can enhance their capacity to navigate challenges and exploit opportunities. By setting clear goals and outlining actionable plans, strategic planning helps SMEs focus on their priorities, optimize their use of resources, and align their operations with market demands.

This finding is supported by numerous studies that highlight the positive correlation between strategic planning and improved organizational performance in SMEs. For instance, research indicates that SMEs that engage in regular strategic planning tend to outperform those that do not in terms of financial performance, market share, and growth (Wang, Walker, & Redmond, 2007). Strategic planning enables SMEs to anticipate market trends, understand customer needs, and respond more proactively to changes in the competitive landscape. In emerging markets, where uncertainty and volatility are prevalent, strategic planning allows SMEs to create contingency plans and develop risk management strategies, thereby reducing their vulnerability to external shocks. The effectiveness of strategic planning in enhancing performance is not uniform across all SMEs and markets. The literature points out that the impact of strategic planning is influenced by factors such as the firm's size, industry, managerial capabilities, and the overall business environment (Glaister, Dincer, Tatoglu, & Demirbag, 2009). For example, smaller SMEs may lack the managerial expertise or financial resources needed to develop and execute comprehensive strategic plans. In such cases,

simplified strategic planning processes that focus on core competencies and short-term goals may be more practical and beneficial. Additionally, in highly turbulent markets, overly rigid strategic plans can hinder agility, suggesting that strategic planning must be balanced with flexibility to adjust to rapid changes.

The cultural and institutional context of emerging markets also affects the implementation and outcomes of strategic planning. As noted in various studies, strategic planning in emerging markets may require adaptation to local conditions, including cultural norms, regulatory frameworks, and economic instability (Peng & Heath, 1996). For instance, in markets where there is a high level of informality or where trust in formal institutions is low, strategic planning must account for these unique dynamics. This implies that while strategic planning is a core driver of performance, its effectiveness is contingent on how well it is tailored to the specific conditions and challenges of the emerging market context. Strategic planning is a critical practice for driving performance in SMEs within emerging markets, providing a foundation for structured growth and risk management. However, the literature underscores the need for context-specific strategic planning approaches that consider the unique challenges and opportunities of each market. SMEs must be flexible and adaptable in their strategic planning processes, ensuring that they are not only focused on long-term goals but also equipped to respond to immediate market changes. Policymakers and business support organizations should also play a role in enhancing the strategic planning capabilities of SMEs by providing training, resources, and frameworks that are aligned with the realities of emerging markets.

2. Importance of Environmental Scanning for Adaptability

The literature review identifies environmental scanning as a critical strategic management practice that enhances the adaptability and resilience of SMEs in emerging markets. Environmental scanning involves systematically monitoring and analyzing external factors such as market trends, competitive dynamics, regulatory changes, and technological advancements that can impact a firm's strategy and operations. For SMEs operating in the unpredictable and often volatile environments of emerging markets, environmental scanning is essential for identifying potential threats and opportunities, allowing them to adjust their strategies proactively and maintain competitiveness. This finding aligns with a wide range of studies that emphasize the value of environmental scanning in strategic decision-making. Research suggests that SMEs that actively engage in environmental scanning are better positioned to anticipate changes in their external environment and respond effectively (Aguilar, 1967; Choo, 2001). In emerging markets, where rapid changes in economic conditions, customer preferences, and regulatory landscapes are common, the ability to detect early signals of change through environmental scanning can provide SMEs with a strategic advantage. By being aware of shifts in the market and the competitive environment, SMEs can make informed decisions about product development, market entry, and resource allocation, ultimately leading to improved organizational performance. The effectiveness of environmental scanning is influenced by several factors, including the firm's size, resources, and managerial expertise. While larger firms may have dedicated departments or personnel for environmental analysis, SMEs often face resource constraints that limit their ability to conduct comprehensive environmental scanning (Julien & Ramangalahy, 2003). This limitation means that SMEs must prioritize their scanning efforts, focusing on the most critical external factors that directly impact their business. Additionally, the use of informal networks, such as industry associations, customer feedback, and competitor intelligence, can supplement formal scanning processes, making it more feasible for resource-constrained SMEs. The literature also highlights that the cultural and institutional context of emerging markets can affect how environmental scanning is conducted and utilized.

In some markets, where information asymmetry is prevalent, SMEs may struggle to access reliable and timely data necessary for effective environmental scanning (Miller, 1996). Moreover, cultural norms and managerial mindsets may influence the extent to which environmental scanning is valued and integrated into strategic planning processes. For example, managers in more hierarchical cultures may rely on top-down information flows, which can limit the diversity and depth of environmental insights. Therefore, fostering a culture of openness and information sharing within SMEs is crucial for maximizing the benefits of environmental scanning. Environmental scanning is a vital practice for enhancing the adaptability of SMEs in emerging markets. It enables firms to anticipate changes, make informed strategic decisions, and maintain a competitive edge in dynamic environments. However, the effectiveness of environmental scanning depends on the availability of resources, access to reliable information, and the organizational culture that supports continuous learning and adaptability. For SMEs to leverage environmental scanning effectively, managers must adopt a proactive approach, prioritizing key external factors and utilizing both formal and informal information sources to navigate the complexities of emerging markets.

3. Role of Dynamic Capabilities in Leveraging Opportunities

The literature review identifies dynamic capabilities as a key strategic management practice that enables SMEs in emerging markets to leverage opportunities and sustain competitive advantage. Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external resources to adapt to rapidly changing environments. For SMEs operating in volatile emerging markets, these capabilities are critical as they allow firms to respond swiftly to market shifts, innovate continuously, and realign their strategies to seize new opportunities and mitigate threats. This finding is supported by a body of research that underscores the importance of dynamic capabilities in enhancing organizational agility and resilience. Studies suggest that SMEs with strong dynamic capabilities are better equipped to adapt to changes in customer preferences, technological advancements, and competitive pressures (Teece, Pisano, & Shuen, 1997; Eisenhardt & Martin, 2000). For example, in highly dynamic environments, SMEs must constantly innovate, whether through product development, process improvements, or new business models, to differentiate themselves and remain competitive. The ability to pivot quickly and strategically in response to external changes is a hallmark of SMEs with robust dynamic capabilities, contributing to sustained growth and performance.

The development of dynamic capabilities requires deliberate effort, investment, and a culture that fosters innovation and flexibility. The literature highlights that while dynamic capabilities are critical for navigating emerging markets, building these capabilities can be challenging for SMEs due to resource constraints, such as limited financial capital, lack of skilled personnel, and inadequate access to technology (Zahra, Sapienza, & Davidsson, 2006). SMEs often need to make strategic choices about where to allocate their limited resources to develop the capabilities that will provide the most significant competitive advantage. For instance, investing in employee training, adopting flexible organizational structures, and nurturing a culture of continuous learning and experimentation are all crucial for building dynamic capabilities. The effectiveness of dynamic capabilities is also contingent on the external environment and the specific context of the emerging market. As the literature points out, the institutional environment, such as regulatory frameworks, market openness, and cultural norms, can significantly influence the ability of SMEs to develop and deploy dynamic capabilities effectively (Helfat et al., 2007). For example, in markets with weak institutional support, such as inadequate legal protections or financial systems, SMEs may face additional hurdles in leveraging their dynamic capabilities for innovation and growth. Therefore, while dynamic capabilities are essential for SMEs in emerging markets, their development and

effectiveness are highly context-dependent. In conclusion, dynamic capabilities play a crucial role in enabling SMEs to leverage opportunities and sustain competitive advantage in emerging markets. These capabilities provide SMEs with the agility and flexibility needed to navigate complex and rapidly changing environments, fostering innovation and strategic adaptability. However, the development of dynamic capabilities requires careful consideration of resource allocation, organizational culture, and external environmental factors. For SMEs to maximize the benefits of dynamic capabilities, managers must focus on building a supportive internal environment and strategically engage with external stakeholders to create conducive conditions for growth and innovation.

4. Influence of External Factors on Strategic Effectiveness

The literature review highlights that the effectiveness of strategic management practices in SMEs is often constrained by various external factors, such as market volatility, regulatory challenges, and limited access to financial resources. These factors play a significant role in shaping how strategic management practices are implemented and their impact on organizational performance. For SMEs in emerging markets, external environmental factors are often unpredictable and can rapidly change, making it difficult to maintain consistent strategic direction and achieve planned outcomes. As a result, even well-formulated strategies may fail to deliver the expected benefits when external conditions are unfavorable.

This finding is consistent with the broader literature on strategic management, which suggests that external environmental factors significantly influence a firm's strategic choices and their effectiveness (Dess, Lumpkin, & Eisner, 2014). For example, market volatility, such as fluctuations in currency exchange rates, sudden changes in consumer demand, or shifts in competitive dynamics, can disrupt the execution of strategic plans, especially for SMEs that lack the resources to absorb such shocks. Similarly, regulatory challenges, including complex and frequently changing regulations, bureaucratic hurdles, and corruption, can increase operational costs and create uncertainties that impede strategic decision-making and implementation (Khanna & Palepu, 2010). Access to financial resources is a critical external factor that affects the strategic effectiveness of SMEs. Limited access to financing often restricts the ability of SMEs to invest in necessary strategic initiatives such as research and development, marketing, and capacity expansion (Beck & Demircuc-Kunt, 2006). The literature points out that many SMEs in emerging markets rely on informal financing sources or internal cash flows, which are often inadequate for supporting long-term strategic growth. This financial constraint forces SMEs to adopt a more conservative and short-term approach to strategy, focusing on immediate survival rather than sustainable competitive advantage.

The literature also underscores the importance of understanding the institutional context in which SMEs operate. In emerging markets, institutional voids, such as weak legal systems, underdeveloped financial markets, and lack of support infrastructure, create additional challenges for strategic management (Peng, 2003). These voids can limit the ability of SMEs to access critical resources, establish trust with partners, and navigate the business environment effectively. As a result, SMEs may struggle to implement strategies that require collaboration, innovation, or expansion, which are crucial for achieving long-term success. In conclusion, while strategic management practices are vital for enhancing organizational performance, their effectiveness in SMEs within emerging markets is heavily influenced by external factors. Market volatility, regulatory challenges, financial constraints, and institutional voids all play a significant role in determining the success of strategic initiatives. To overcome these challenges, SMEs need to adopt a flexible and adaptive approach to strategy, continuously monitoring the external environment and adjusting their strategic plans accordingly. Policymakers and support organizations should also focus on improving the external

environment by simplifying regulations, enhancing access to finance, and strengthening institutional frameworks to support SME growth and development.

D. CONCLUSION

This study underscores the importance of strategic management practices in enhancing the organizational performance of small and medium-sized enterprises (SMEs) in emerging markets. Strategic practices such as planning, environmental scanning, and dynamic capabilities are found to be critical drivers of competitiveness and growth. Strategic planning helps SMEs set clear goals, allocate resources efficiently, and anticipate market changes, while environmental scanning enables them to monitor external factors and adapt accordingly. Dynamic capabilities, such as innovation and strategic flexibility, allow SMEs to reconfigure resources and seize opportunities in rapidly changing environments. Together, these practices provide a robust framework for SMEs to achieve sustainable growth in competitive and unpredictable markets.

The effectiveness of these strategic management practices is not guaranteed and is heavily influenced by various external factors. Market volatility, regulatory challenges, and limited access to financial resources can constrain the ability of SMEs to fully implement and benefit from these practices. The findings highlight that SMEs in emerging markets must navigate complex and often unfavorable external environments, which can disrupt strategic execution and impact overall performance. Therefore, strategic management in such contexts requires a flexible approach that allows for rapid adjustments to changing circumstances and leverages both formal and informal networks for information and support. The study suggests that for SMEs in emerging markets to maximize the benefits of strategic management practices, they need to adopt a context-specific approach that considers the unique challenges and opportunities of their operating environment. Policymakers and business support organizations also have a crucial role in enhancing the strategic capabilities of SMEs by providing better access to financial resources, streamlining regulatory processes, and fostering a supportive institutional environment. By addressing both internal and external factors, SMEs can develop more effective strategies that drive performance and competitiveness in dynamic and challenging markets.

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