SELINUS UNIVERSITY
OF SCIENCES AND LITERATURE

# The Role of Strategic Management on Business firms' performance in Ethiopia

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## A DISSERTATION

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## Statement of Declaration

I, **Fertun Abdi Mahdi**, hereby state that this research dissertation is original with my personal effort in fulfillment of the requirements for the degree of Doctor of Philosophy in Strategic Management Presented to the Department of Business Administration program at **Selinus University**, made ready with the guidance of **Professor Dr. Salvatore Fava** and it has not been submitted any else, in whole or in part, in any previous application for any degree as well as all the materials so quoted in these research and dissertation are fully and duly acknowledged.

**Name: Fertun Abdi Mahdi**

# Dedication

This research is dedicated to my late Mom (May the Almighty bless her with the eternal heaven) who always pushed me to be the best, who drove me to work hard to achieve a place in this world, whose own way inspired me to advance, who taught me untiredly, cared me with love, and made true almost all of my childhood dream. The credit belongs to her who is actually in the arena, whose face is marred by sweat, dust and tears; who strives valiantly; who does actually strive to do the exceptional deeds; who knows great enthusiasms with a great devotions; who spends herself in a worthy cause; who at the best knows in the end the triumph of my achievement. so that her place shall never be with those cold and timid souls who neither know defeat nor victory.

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# Acronyms

**B2B**: Business to Business

**B2C**: Business to Consumer

**CEO**: Chief executive officer

**CRM**: Customer Relationship Management

**DM** - Decision making

**GP** – Gross Profit

**IRR** – Internal Rate of Return

**KPI**: Key Performance Indicator

**OKR** – Objectives and key results

**P&L** – Profit and Loss

**P&L**: Profit and Loss

**PESTEL**: Political, Economic, Social, Technological, Environmental, and Legal

**R&D**: Research and Development

**ROI** – Return on Investment

**ROI**: Return on Investment

**S&M** – Sales & Marketing

**SCA** – Sustainable competitive advantage

**STATA**: Statistical software for data science

**SWOT:** Strengths, Weaknesses, Opportunities, and Threats

# Abstract

*In Ethiopia, more firms offering Businesses has failed service initiatives due to improper performance of strategy management processes. The purpose of this research was to examine the role strategy management on the Ethiopian business firms'. The target population of this research were those whom frequently involved strategic business management for the firm's business performances with the application of Purposive Non-probability sampling method. data collection was conducted through both primary and secondary sources by using a well-structured questionnaire, business report document analysis, and review of the already existing studies. the collected data was observed, analyzed and interpreted by using the chosen descriptive analysis specifically Measure of frequency and Measure of central tendency is applied whereas the Correlation analysis with the application of software's like Microsoft and Stata was conducted. Both qualitative and quantitative research approaches were applied to examine the contribution of strategic management processes on business firms' performances. Multiple themes emerged from the data analysis, including minimum firms effectively engage the implementing team, environmental scanning were not adequately carried out by the firms, customer satisfaction's non collinearity with entire strategy management processes, as well as strongest positive collinear was delineated in the firms' productivity and service innovation. Managers in the business firms can use the findings of this study to improve business practices by implementing strategies processes that enhances firms' performances accordingly. The findings of this study may be used to properly engage implementing team, improve customer satisfaction, conduct extensive environmental scanning process, and ensure innovative service productivity so as the business firms achieve their strategic goals sustainably.*

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# Chapter One – Introduction

## 1.1. Background of the Research

The international business environment has transformed in the past 3 decades more so in the last one. This has left business firms faced with the challenge of continuous and dynamic change. Traditional firms drivers for success have started loosing relevance and in some cases have failed entirely. The 2008 global financial meltdown and the on-going Eurozone sovereign debts crises are immediate instances of the failures of traditional approaches to business environment, organisational accomplishments and sustainable competitiveness. Amid this bold competitive environment, a distinct paradigm is emerging that recognises the role of strategy management as the main dynamic that drives sustainable competitive advantage and growth in firms. The need for internal innovation has intensified now more than ever. Due to competition all over the world today, companies have tried to employ the application of strategic management practices in order to survive and remain steady in the market place (Olsen, Ching-Yick Tze and West, 1998), The strategic management practices are the outcome of managers‟ ideas to identify the forces that define the changes allowing them to understand the opportunities from within and outside their business environment. The definite goal of managers is to obtain the best results with minimum effort and lowest investments.

This Research which is into strategic management and its role has become the main focus in Business firms' performance because of its key influence in generating economic wealth (Bantel& Jackson, 1999). However, there is a main argument if the business firms need to develop a strategic plan. Some writers have debated that major strategic management procedures are specifically inappropriate for Business firms that have neither the management nor financial resources to indulge in illustrated strategic management techniques (Cragg and King, 1998). Although, there is still argument of the application of strategy in business firms in many researches – positive impact of applying strategic management as a tool to achieve sustainable and competitive advantage that cannot be ignored (Analoui and Karami, 2003).

Strategic Management is the identification of the goal of the organisation, plans and actions to achieve the goal. It is that set of managerial decisions and actions that determine the long term performance of a business firms. Strategic management is definitely an on-going process that evaluates and controls the business as well as the industries in which the company is involved; examines its competitors and sets goals and strategies to meet all existing and potential competitors; and then re-examines each strategy routinely to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to face changed circumstances, new technology, new competitors, a new economic environment or a new financial, social, or political environment. Strategic Management describes the purpose of the organisation and the plans and actions to accomplish that purpose. It is that set of managerial decisions and actions that define the long term performance of a business firm. It involves formulating and implementing strategies that will support in aligning the organization and its environment to achieve firm's goals. Strategic management provides overall direction to the firms and those Firms that pursue sustainable strategic management base of the implementation, formulation, and evaluation of their strategies on an analysis of the ecological issues they face, the values they hold that help sustainability, and the ecological interests of their stakeholders.

Many Researchers have associated business strategies with firms' performance, distinguishing between strategies associated with high and low performance (Chell et al, 1991). Strategies which result in high performance are obtained with activities that commonly lead to success in the business firms; that is key success factors. These activities are related with initiatives in business firms. Researchers have identified such initiatives to include emphasis on product quality, development of new operating technologies, product and service innovations, and discovery of new markets. Activities associated with high performing strategies also consists emphasis on customer service and support, use of external finance and extensive advertising,  (Covin, 1991).

Strategic management is key element in keeping business firing on all cylinders and driving forward. However, so far, Few studies examine the role of strategic management on business firms performance which is significant for economic growth  and business development due to their contribution to job creation, employment, innovativeness & high technology development. Thus, the existence, survival and growth of Business firms are significant  for business as a whole. According to several strategic management literatures, strategies are important for building competitive advantages for Business firms (Analoui and Karami, 2003) and (Coulter, 2008).

Strategic management upgrades the efficiency and effectiveness of firms by improving both current and future operations. Strategic planning equips a framework for management's vision of the future. The process determines how the firms will change to take advantage of new opportunities that help face the needs of customers and clients. Strategic planning is a complex process which requires that people think and act creatively. The strategic planning process is applied by management to establish objectives, schedule, and set goals, activities for achieving those goals and includes a method for measuring progress. These goals can be achieved through the steps of the strategic plan, starting with an external and internal analysis, a clearly defined mission statement, goals and objectives, formulation of distinct strategies, concluding with the implementation of the strategy and managed control process (Julian, 2013).

The responsibilities of senior managers in any given organization are to strategically manage the organization keeping in attention that strategic management is a continuous process rather than a one-time event (Sekhar, 2009). In fact, Strategic management is the process of assessing both present and future environments, formulating the organization's objectives, implementing and controlling decisions focused on accomplishing these objectives in the present and future environments. In other words, strategic management is about deploying a firm's internal strengths and weakness to take advantage of its external opportunities and diminish its external threats/problems (Adeleke, 2008). In addition to that, Firms that pursue sustainable strategic management base the implementation, formulation, and evaluation of their strategies on an analysis of the ecological issues they meet, the values they hold that enables sustainability, and the ecological interests of their stakeholders (Nyariki, 2013).

The purpose of conducting this research on this topic was to determine the role of strategic management (strategy formulation, evaluation and implementation) on Business firms' performance in Ethiopia. Adoption of strategic management contextually enables business firms to understand their strategic role and identifying how to make strategic choices for the future and manage strategy in action. Employing strategic management is serious to firm's performance (Johnson et al, 2008). Strategic management demands effective systems to counter unpredictable events that can sustain their implementation and reduce the risks involved (Pearce and Robinson, 2007). Theoretical and empirical evidence supports the argument that adoption of superior strategies directs to improved firm performance. The development on the field of strategic management with in two decades has been said as dramatic by (Hoskisson et al, 1999) and it grows large every day. As management scholarship expands more its geographical interest from western and eastern developed economies to the rest of the Globe, now, it is the time to bring Africa in to our mainstream research and theories (George et al, 2016). It is fair to mention that, almost all of our existing knowledge about business firm strategies have begun from outside of Ethiopia, because Africa is an under researched region, it seems to be a worth-while effort to test whether our theories applicable on Ethiopia like else were or the country is really different.

In the context of Ethiopia, Business firms is the most significant pillar of development that improves the interdependence to rural and urban areas in the country, employ various factors of production, Developing new model products, Investing in new technology and new capital, contributing goods and services for the consumer, helps to acquire assets, attract new talent and fund investments. So, frequently to seek better strategic management and enabling business firms to examine their competitors' strategies and actions is essential.

The aim of this study is to examine the strategic management practices on the Ethiopian Business firms performance. The study compares these practices with the broadly accepted theoretical concepts in the field and pursue to investigate to what extent strategic management is being adopted along with the purpose of identifying the gaps between the theory and the strategy management practice. This research finds that generally, almost all strategies management system positively and significantly achieve firm objectives through performance examination. Specifically, business firms' strategic plan has a direct and comprehensive impact on firm performance through financial and non-financial measures. In addition, the research intends to find out the major problems or challenges for strategic management system of the given company in Ethiopia.

The research is inspired to assess the role of strategic management on the Ethiopian business firms performance and what are the gaps existed in their strategic management by contributing detail information on the strategic management processes of the firms, the research intends to incite for management of the firms a better strategic management system so as to fill the existing gaps and/or take corrective action on the system in a way that helps to achieve the objectives of the Business firms in the Country.

## 1.2. Statement of the Problem

The critical competitive global environment is pushing businesses to limits dictating the need to adopt organic strategic management that enables plans, choices and decisions that will lead to competitive advantage and to record profitability, success and wealth creation (Kourdi, 2009). The main points to this research problem are: the rate of change in industry life cycles, new technology, new products and customer preferences has boosted exponentially; industrial boundaries are emerging as industries converge or overlap. Achieving corporate competitive advantage seeks identifying new and emerging opportunities in the marketplace where the traditional strategic thinking based on stable industries has long considered to be as effective (Hoskisson, Hitt, Ireland and Harrison, 2008) as well as (Peng, 2009). In this context, concentration on either competitiveness or opportunity generation to the exception of the other directs to increased probability of firm stagnation, decline, passiveness, ineffectiveness and possible complete failure; the supercompetitive economic environment demands that businesses be proactive, innovative and act with increased risk propensity. This suggests that businesses should consider inward for strategic opportunities and seek to adopt strategic management performances that promote the business firm posture that simultaneously captures existing firm's competitive advantages while at the same time exploring future demands that will enable sustainable competitiveness in the future.

Effective strategic management seeks an understanding of organizational resources and competencies as well as how each contributes to the formation of firms strengths and eventually to the development of a competitive advantage (Duncan, Gintei & Swayne, 2008). It undeniably assists an organization to achieve clarity of future direction. It also assists organizations to think strategically develop effective strategies, establish priorities, deal effectively with changing circumstances, solve major organizational problems, build teamwork and expertise, as well as improve organizational performance. To ensure this, the overall strategic management process ought to be flawless with due concern being given for all components. Before the strategy formulation, a perfect environmental scanning should be undertaken. To achieve high performance, top managers must contribute a strong sense of strategic direction and organizational members should be active players in the strategy making process. Alkhafaji (2003) in solidifying his position on the necessity of strategy implementation argues that incorrect implementation would even make the best strategy worthless. Bryson (2004) states that attention to stakeholders is significant throughout the strategic management process since success and survival surely depend on satisfying key stakeholders according to their definition of what is valuable. The mere crafting of mission and vision statements, simple identification of core competencies doesn't suffice so as the strategic management system to be effective.

The strategic management of a corporate entails the processes of analysis, decisions, and actions. That strategic management involves with the analysis of strategic goals (vision, mission, and objectives) along with the analysis of internal and external environment of a corporate. The essence of strategic management is the study of why some business firms advance others in performance. Thus managers need to definehow a business firm is to compete so that it can obtain advantages that are sustainable over a long period of time. (Hill, 2001), while Strategic management is the set of decisions and actions applied to formulate and implement strategies that will equip a competitively superior fit between the organization and its environment in order to achieve organizational objective. Planning or designing a strategy leads a great deal of risk and resource assessment, ways to counter the risks, and enhance effective utilization of resources should be strategically managed while all while trying to achieve a significant purpose. (Daft, 1993).

The lack of appropriate policy, sector oriented support agencies restrain the development strategy and expansion of business firms. Study by Eshetu and Mammo (2009,10) described that Ethiopia has failed to benefit from the phenomenal growth in the business enterprises sector, This emerges from the fact that the division misses appropriate policy, support services and development strategy. This implies that in Ethiopian business firms operate in a difficult business environment due to the government failure in addressing the above entire problems. Among other problems of the Ethiopian business firms performance is the lack of sources and access to finance, overregulated business environment, technology development, limited support services for innovation and marketing limit their contribution to economic development. in Ethiopia, as argued in the most part of this paper clarifies a barrage of challenges spanning lack of appropriate national policy dynamism, an overly regulated business sector, financing and an incoherent support mechanism. Government policies have traditionally failed to realize the sheer enormity of the business firms resulting in the inability to benefit from the phenomenal growth in the business firms sector strategically (Eshetu and Mammo, 2009). Government policy has concentrated the agriculture sector, with the perceived goal of bolstering the production of primary commodities as approach of promoting economic development. Though well intentioned, the industrial sector has not been well served in ways that resources it to be improved strategically even in the field economic development and the result of this problem include high level of unemployment, lack managerial skills with low industrialization capacity, high poverty incidence, lack of finance, inconsistent government policies and inadequate infrastructure and insecurity of the business climate among others.

The key purpose of conducting this research was to state the role of strategic management specifically with the application key strategic processes like environmental scanning, strategy formulation, strategy implementation as well as strategy evaluation and monitoring which conceptually enables business firms to their performance such as variables that are dependent of the business firm's such as proper resource utilization, service quality, productivity, innovation of services, customer satisfaction, performance time and performance cost and to understand their strategic position and identifying how to make strategic choices for the future and manage strategy in performance. Employing strategic management is critical to firm's performance (Johnson et al., 2008). Strategic management pursue efficient systems to counter unpredictable events that can sustain their operations and reduce the risks involved (Pearce and Robinson, 2007). Theoretical and empirical evidence supports the argument that adoption of superior strategies directs to improved organization performance. The development on the field of strategic management with in two decades has been stated as dramatic by (Hoskisson et.al, 1999) and it expands large every day. As management scholarship enhances its geographical interest from western and eastern developed economies to the rest of the world improves, it is significant bring Africa in to our mainstream research and theories (George et.al, 2016). It's justifiable to say that, almost all of our existing knowledge about firm strategies have initiated from outside of Africa, since Africa contributes less researches for this mainstream, it seems to be a worth-while effort to test whether our theories fits on Africa like else were or the continent's really differ. (Christou, 2015) states that all corporates are heading somewhere, but unfortunately some corporates do not know where they are going. So, the necessity for organizations to use strategic management concepts and techniques arises from this. The strategic management process is becoming more broadly used by small business firms, but large companies, nonprofit institutions, governmental organizations and multinational conglomerate alike are not the same. However, Top managers of business firms in Ethiopia ignore in most cases that strategic management practices influence on organizational performance. Therefore, this study investigates the role of strategic management on the performace of business firm in Ethiopia.

The anticipated outcome of this research is to ascertain whether internal business plans such as having a strategic management practice, upgrades both the survival and organizational performance of businesses firms in Ethiopia, as empirical data from developed economy showed, and to seek and highlight the importance of embracing strategic management practices among Ethiopian business firms. It is also hoped that the study will shed more light on the correlation between strategic management practices and the organizational performance of business firms in Ethiopia from a different perspective. Furthermore, the aim of this study is to investigate attitudes and perceptions of Ethiopian business firms towards strategic management in order to substantiate empirically the presence or absence of strategic management practices among Ethiopian businesses firms and if the adoption of strategic management practices has a role on the Ethiopian business firms.

## 1.3 Objective of the Research

### 1.3.1 General objective

The main objective of the research was to exanimate the role of strategic management on Ethiopian business firms' performance.

### 1.3.2 Specific Objectives

the specific objectives of the research are:

a) To determine the role of environmental scanning on the business firms' performance in Ethiopia.
b) To identify the role of strategy formulation on business firms' performance in Ethiopia.
c) To examine the role of strategy implementation on the performance of the Ethiopian business firms.
d) To evaluate the role of strategy monitoring and evaluation on Ethiopian business firms' performance.
e) To propose a better recommendation on strategic management practices so as to improve the performance of the Ethiopian Business firms.

f) To identify, study and analyze the existing strategic management practices and their challenges in the Ethiopian Business firms'.

## 1.4 Basic Research Questions

To attain the aims and objective of these research and study, the following research questions were formulated.

a) What is the role of strategy environmental scanning on business firms' performance in Ethiopia?
b) What is the role of strategy formulation on business firms' performance in Ethiopia?
c) What can be the role of strategy implementation on performance of Ethiopian business firms.
d) What is the role of strategy monitoring and evaluation on business firms' performance in Ethiopia?
e) What is the best strategic management practices to be recommended in order to improve the performance of the Ethiopian business firms?
f) How were the strategic management practices existed in the Ethiopian business firms?

## 1.5 Research Hypothesis

First and foremost, strategic management engages a series of steps that define how to achieve a particular community or organizational goal or set of related goals. This goal can be found in an organizational performance. Strategic management can also be based on organizational goals or action strategies developed through public or private meetings and gatherings, policy council, board meetings, or other general strategic management processes.

According to (Kerzner, 2003) The use and integration of modern management and business management knowledge tools, skills and techniques to the overall planning, coordinating, directing, monitoring and control of all extents of a business from its inception to its sustainability is the motivation of all those related to produce the product, service/outcome of the project on time, within authorized cost, to the required quality needs, and to the satisfaction of customers.

The indispensable role of strategy management to a business firm’s performance successes is confirmed by many previous studies which implies that the research explored in more details on the role of the strategy management process to the firm’s performance. The relationship between the strategy management process and Business accomplishment was assessed. Based on the research objectives and the developing hypotheses of this study will be stated as follows:

Hypothesis 1: There is a positive relationship role of an effective strategic management process on the proper utilization of resources.

Hypothesis 2: There is a positive relationship role of an effective strategic management process on the innovation of services.

Hypothesis 3: There is a positive relationship role of an effective strategic management process on the service quality of the business firms.

Hypothesis 4: There is a positive relationship role of an effective strategic management process on the business firms productivity.

Hypothesis 5: There is a positive relationship role of an effective strategic management process on the business firms customer satisfaction.

Hypothesis 6: The negative relationship role of an effective strategic management process on the firms performance time.

Hypothesis 7: The negative relationship role of an effective strategic management process on the firms performance cost.

## 1.6 Scope of the Research

Although the scope of a study illustrates the extent to which the research area will be explored in the work and specifies the parameters within the study carried out and basically, this means to define what the research has gone to cover and what it is focusing on, and This research aims to define the role of strategic management on business firms' performance in Ethiopia. But, this research is constrained by a number of barriers basically the lack of cooperation from many business firms to give detailed information about their strategy. On the other hand, the target population may not be perfectly accurate due to researchers' lack of data on the direct and indirect relating parties of the strategy management process of the selected business firms accordingly. The research was pursued to focus only on to what extent the strategy of selected business firms in Ethiopia is environmental scanning formulated, implementing, evaluated and monitored. The research also covered the arguments of management and non-management employees of the business firm's head office departments, branches and district offices by reviewing previous studies evidenced that effective strategy formulation and execution involves everyone in the organization (Dauda et.al, 2010).

In addition to that, As it is mentioned in the problem statement, there are many strategic management aspects or variables that have a role on the performance of the business firms and the research mainly focused on the firm's proper utilization of resources, service quality, productivity, innovation of services, customer satisfaction, performance time and performance cost: business firms continue to be troubled by unfocussed quality goals and improper enigmatic quality methods in which denounces the business to a zero satisfactory by stating the deliberate failure of the performing firm on quality concerns; Time is our most valuable and finite knowledge process area from the strategic management perspective, an effective Business time strategic management can revolutionize team's performance tasks and make a considerable effect on the business achievements; completing a project within its prescribed cost is one of the critical factors of firm's performance success as the interest was created in establishing how well the costs are managed and coped and successful strategic business management activities are fundamentally driven by appropriate utilization of resources, improving productivity, good service quality and service innovation whom must be involved from the very beginning to the very end.

For the purpose of the research's scope methodology works, a quantitative method of data collection was applied. the research has taken a clear view that a relationship which initiated between the measurements of the business firms and the apparent entire firm's outcome, and comprehensive objective solution is supposed to be found to a phenomenology and research question. At last, the collected data through the means of questionnaires and employing document review was reviewed, analyzed & interpreted carefully.

## 1.7 Limitation of the Research

In the expectance of the limitations of both the sample population and the individual participants, the sample population was drawn from a segment of medium to large business firms in Addis Ababa and Care was taken in generalising the results of this research because the competitive situations or growth of medium to large financial and business services, business activity here may be considerably different in other parts of the country.

The research relies on perceptual data provided by one to more people from each organization, typically the executive manager, general manager, middle and low management of the business are among them. Individual managers have their perceptual biases and cognitive limitations in viewing their environment and organisation. Though objective data are difficult to obtain from business as (Covin and Slevin, 1989) mentioned, future research efforts may need to design or use relevant objectives to encourage confidence in the reported analysis.

Another limitation involves to the anticipated variables used in this research. Although the results illustrated support for the largely positive role of selected strategic management practices on the business firms' performance, the latter's effect on a firm's performance was not directly or indirectly measured in detail. It was assessed to be positive and extrapolated from the data. Literature review, in other words, indicated that positive strategic management with high business firm performance, but such results were not directly replicated in this study.

The study met the following several limitations; some responds seen the information as confidential and were hesitant in providing information worrying that competitors might benefit the information for their own gains. however, the researcher used introductory and authorization letter from the higher education institutes to guarantee the participants that the information provided would be used for education purposes only. There were delays in data collection where the participants were too busy to fill in the research questionnaire. The researcher yet, inspired the respondents by explaining the significance of the research study, despite of the fact, this study uses extended scales of measurements from several researches, strategic management is a much broader multidimensional construct, and other dimensions of the strategic management practices may influence an organisation's business outcome. However, the strength of this study is that the data collection methodology provided a detailed extraction of responses from participants probably with adequate knowledge of their organisational strategic management practices. As such, the perceived limitations of the study are allayed by specific results that build on previous studies involved to either the effect or relationship of strategic management with the firm performance. The study advances knowledge base about the firm performance and strategic management by combining these ideas, it sheds some new light on how specific dimensions of strategic management practices influence organisational business accomplishment.

## 1.8 Significance of the Research

This dissertation is about the role of strategic management on the Ethiopian business firms by which the research will play towards extending previous work on the business organizations by contributing to our understanding of how strategic management influence business firm's performance orientation. the research provides empirical insights into the relationship between strategic management and business firm's performance orientation concerning sustainable competitiveness and wealth creation with the assumption that there is a positive relationship between strategic management and definitive firm performance. Although this research does not assume nor argue that business firms and strategic management are a single discipline, it acknowledges that both have rendered unique and valuable contributions to the entire business science. if understanding the connection between Business firms and strategic management is formulated in a single research, this research methodology equips promising avenues for researchers examining how business organisations compete, create wealth in a continuously changing and hypercompetitive environment, and perform to achieve above-average earnings (Ireland, et. al., 2003).

The result of this research is to be beneficial to the entire business firms of what is on the ground and how they can be used for strategic management practices to their advantage. Other scholars will also find this research essential as it will improve their knowledge and their knowhow on the matters concerning strategic management, their influence, facilitation on the growth and development of business-related organizations. The research will also highlight some research gaps that other researchers will focus in future as well as All this will be made easy through our research's publication that will facilitate for others to identify the findings easily and use it to address the gaps.

This research will also contribute for the benefit of the organizational levels in which private and public sectors are performing better for the success of the business. If they follow the effective and efficient strategic management process and meets the requirement by performing well, the outcome will be positive for reducing the business performance failures. A little research has been conducted about the strategic management on the firm's business performance and the primary merits of the research turns to the university academics. Since there are few studies in these areas, it will provide a comprehensive starting point for more researches concerning strategic business management. Furthermore, public and private organizations participating in any types of businesses will get important concepts on the role of strategic management processes on business outcome and it will create awareness.

## 1.9 Organization of the Research

The dissertation is categorized in to five chapters. Each chapter of the thesis illustrates different aspects of the research work done. These are described as follows:

***Chapter one***: introduced Background of the Research, Statement of the problem, Objective of the research, Research Questions, Research Hypothesis, Significance of the research, Scope of the research, Limitation of the research.

***Chapter two***: consists: Concept and Definitions which revises Ethiopia, Business, Strategy, Strategy management, Planning, firms; Theoretical Literature review that reviews, Strategy and Strategy planning context, Strategy management theoretical framework, Strategic management practices, Firm performance, Advantages of strategy, Disadvantages of strategy, The school of thought, The strategy management process, Components of strategic management Process, Environmental scanning, Strategy formulation, Strategy implementation, Monitoring and evaluation of strategy, Strategy management theories, Challenges in strategy management; Empirical Literature review which reviews about Literature review findings and Literature gap as well as the Conceptual Frame.

***Chapter three***: Data and Methodology: it is about: Introduction, Data Collection Procedures, Description of variables, Validity of Research instruments, Reliability of Research instrument, Types and Source of Data, Method of Data Collection, Research Design and Approach, Study population and Sampling, Method of Data Analysis, Research Ethical Issues

***Chapter four***: this part consists of the 1- demographic characteristics section of the research like: Age, Gender, Educational level, and Work experience and Data presentation; analysis and interpretation like: Descriptive static analysis and interpretation, correlation analysis and interpretation and regression analysis and interpretation.

***Chapter five:*** consists of the summary of the findings, research Conclusion, the research recommendations and recommendations for further study.

## 1.10 Ethiopian business firms background

By realizing the centrality of Business firms in charting the development trajectory of an economy, the full potential of Business firms has not been adequately benefited in Ethiopia. It specifically smacks of gross failure following the almost three decades of structural reforms that began in the early 1990s following the deregulation policies of that were set in motion. The Ethiopian Central Statistical Authority (2004) describes that, more than half percentage of job opportunities created in the given year are derived from Business firms and basically take a form of one man business, family business partnership, and private limited companies. Indeed, this leans credence to the existing near-universal confidence proposed on Business firms albeit the seemingly lackadaisical state commitment to this end accordingly.

The lack of adequate policy, development strategy, and sector oriented support agencies hinder the development and expansion of Business firms. Study by (Eshetu and Mammo ,2010) stated that Ethiopia have has failed to benefit the phenomenal growth in the Business firms sector, This emerges from the fact that the sector misses appropriate policy, development strategy and support services. This implies that the Ethiopian Business firms operate in a difficult business environment due to the government's lack of addressing the above overall problems. Among other things of business constraints of the Ethiopian business firms are the lack of sources and access to finance, overregulated business environment, technology development, limited support services for innovation, and marketing limit their contribution to economic development.

In the light of the foregoing, this dissertation carried out to appraise how Ethiopia can tap into the advantages of the bourgeoning Business firms development tide. It approaches the subject matter by reviewing the current state of Business firms in the nation in ways that will help weaknesses to be identified leading to the prescription of sustainable policy options to address the nagging concerns.

Taking cognizance of the foregoing, a sober examination of the operational environment of Business firms in Ethiopia as argued reveals a barrage of cconstraints spanning lack of national policy dynamism, an overly regulated business sector, and an incoherent support mechanism. Government policies have traditionally failed to understand the sheer enormity of the Business firms resulting in the inability to benefit from the phenomenal growth in the Business firms sector as (Eshetu and Mammo, 2009) stated. Government policy has prioritized the agriculture sector, with the perceived goal of bolstering the production of primary business commodities as an approach of promoting economic development. Al though well intentioned, the industrial sector has not been well served in ways that resources it to propel even in the entire field of economic development.

Remarkably, According to a recent 2012 report by the UNDP, currently, the industrial sector's contribution to the overall national output is estimated to be within the range of 13% in contrast to the agriculture sector which stands at 43% of total GDP' though the Ethiopian economy has been experiencing relatively stable growth levels, my concern and that of other related pundits emerges from the fact that much of the gains are falling through the cracks of the weak industrial sector driven by Business firms. It is also further projected that the Ethiopian economy will maintain a slight growth rate over a period of five years beginning from 2010. Given the scale of the developmental constraints dogging the country, rapid growth as opposed to a steady one is what is required to pull it out of its abyss.

it is indispensable for policymakers in Ethiopia to become abreast with best practices from successful countries with the view of effectively replicating such policies by initiating focus on reforming the regulatory dispensation, incorporating dynamic strategic policies and providing support services for the development and expansion of endogenous Ethiopian Business firms. eventually, it works to enable the competitiveness and scale of the developmental challenges dogging the country, fast growth as opposed to a steady one is what is required to pull it out of its abyss.

it also works to enable the competitiveness and capacity of the sector thereby initiating the building blocks for sustainable economic development of the country guiding to reductions in poverty through enhanced living conditions. Besides, it is further envisaged for strengthening and boosting the business environment of Business firms in Ethiopia. It will also use to lead business policymakers in formulating dynamic policies for the purpose of succeeding the broader goals of economic development through the business firms.

There is no benefit denying that in our contemporary dispensation, business firms are an essential economic development engine by dint of their ability to churn out new ideas and innovation, serve as the seedbed for nurturing the industrial base of an economy, bolster job creation, and above all a viable income generator source for fighting poverty. Indeed, not necessary to say that the optimal gains for the Ethiopian economy granted to business firms are developed will cause a corresponding windfall in economic progress as itemized here. The country's demand for industrialization will be bolstered by upgrading even growth in ways that shifts focus from the current state of agro-dependence that characterizes the economy to business and trade sector. As a sector, its collective role is judged by offering salient employment for both skilled and unskilled labor. With this perception, government policy took crucial interest in incorporating this facet of development to drive the need for national development by crafting the policies to enable a favorable business environment suitable and attractive not only for the development and expansion of business firms but also for the other related business firms in an approach to attract domestic and foreign investors. Despite of the fact that business firms are a potential source for economic development in Ethiopia, the sector has not received a commensurate policy attention in order to hamstring its capacity to access, to finance as well as a poorly regulate dispensation. A glaring weakness is observed in the contents of the five-year development plan of the government of Ethiopia, which ostensibly identifies premium on the expansion and growth of large business firms whilst giving little to no focus for small and middle business firms. As a result, small and middle scale business firms are beset by poor product quality, absence of innovation, low productivity, and lack incremental growth over several years.

Hence, Ethiopian business firms play crucial role in whether an economy's private sector will thrive or not. An accommodating business environment is one that pursue firms to operate efficiently and effectively. Such conditions strengthen incentives for the business firms to innovate and to increase productivity main factors for sustainable development. A more productive private sector, in turn, increases employment and contributes taxes which is necessary for public investment in health, education, and other services. Other major factors that play the key role performance of the Ethiopian business firms include infrastructure, regulations, trade, finance, taxes and business licensing, corruption, crime, informality, access to finance, labor, and perceptions about obstacles to doing business.

# Chapter Two – Literature Review

## 2.1 Concept and Definitions

### 2.1.1 Strategy

heretofore, the word strategy has firm military heritage and was purported to have come from Greek word "stratego", derived from two Greek words stratus, which relates to the army, and ago, which means to lead (David, 2011, p.53). The importance of strategic business planning or practice became general knowledge in the 1940s and 1950s, dedicated to the post-war turbulence and the new turmoil hat businesses found themselves in; businesses before this period had retained a measure of stability. This began with the pioneering task of authors like Henri Fayol, a French industrialist who researched the management function in the business firms and put forward that all managers execute certain functions that set them apart from administrators (Stewart, 2002).

Strategy represents decision on approaches to utilize accessible resources to achieve the crucial purpose in spite of the challenges of likely obstacles like the force of competition, environmental challenges and relevant factors. Strategy takes complex issues like price and quality into consideration and more often than not, it is delicate to comprehend the trade-offs between the two since it is not often very clear in advance (freedman, 2013).

Strategy also exists in various levels as corporate strategy and business strategy While corporate strategy referred to the entire business conceptual, analytical decisions and choices on the kind of business to be involved in, business strategy entails the understanding on how to challenge in the chosen business in light of the business environment and competition (Campbell, et al 2011).

### 2.1.2 strategic planning concept

The necessity of strategic planning for the growth, development and its positive impact on businesses in common, has produced remarkable interest amongst academics and within the business world since the concept was introduced. A good number of great academics, thinkers, policy-makers, practitioners and consultants have made noteworthy contributions in the area of strategic planning and its relation with the performance of the business.

Management theorist (Henri Fayol,1916), whose contribution still counts in contemporary concept terms, argued that planning is among the most important responsibilities of management. He defines planning as probing the future, come to a decision what the business required to do and put up a plan of action (Wood, 2002).

Another notable contributor to the theory as well as the practice of strategic planning is Michael Porter and his well-known competitive strategy and the Five Forces of Competitive Position model. Porter’s model presents a direct viewpoint for analyzing and measuring the competitive potency and position of business activity (Porter, 1980). Porter’s generic competitive strategies described that a business's relative position inside its trading sector determines if that business’s profitability is more than or less than the sector average. The real basis for superior and above-industry-average productivity at the end of the day is a eternal competitive advantage. Porter identified two basic types of competitive strategy a company can adopt, like low cost or differentiation. The two basic competitive strategies, when applied in relation to the scope of actions for which the business needs to attain them, led to a third strategy he called the focus strategy. Porter put forward that for any business to have a competitive profitability over and above its competitors, it must embrace in the least one out of the three strategies of differentiation, cost leadership, and focus. so that any business not following any of these three strategies is stuck in the middle (Porter, 1985).

Again, Michael Porter's five forces analysis concept was intended to analyse the extent of competition among the business sectors and in supporting the development of a business strategy. It was a direct framework by Porter for assessing and evaluating the competitive strength and position of a company. The five forces can be represented pictorially as an addition to the concept above, Porter also argued that for any business to cope with the five forces enumerated above and seize competitive benefit, it requires to adopt other measures; He put forward three other concepts in what is popularly known today as Porter's generic strategies interms of strategic cost leadership, strategic differentiation and strategic focus (Porter, 1985).

Cost Leadership entails about minimizing the cost to the business of service and producing goods. This supports the business to boost its profit even by having the least price for products and increasing market share which assists profitability as well. The differentiation strategy requires producing products or services that are different and better from that provided by competitors in various ways. This seeks to be a high-end product and in-turn a lot of research and innovation may be required as well as marketing. The eventual strategy of focus concentrates on one niche segment of the industry or markets to provide goods and services.

### 2.1.3 Business

In general terms, Business is the practice of making one's living or making money by producing goods, selling products and providing services as stated by (longman,2007), It is also any activity or enterprise that enters into for profit. (William and burton, 2007)

In other words, having a business does not need to separate the business entity from the owner, which means that the owner of the business is liable and responsible for debts incurred by the business. Provided that the business acquires debts, the creditors can go after the owner's personal possessions as argued by (Merriam, 2022) and the taxation system for businesses is likely from that of the corporates. A business structure does not refer for corporate tax rates. The proprietor is individually taxed on all income from the business.The term is also often applied colloquially to refer to a company such as a corporation or cooperative. Corporations, in contrast with the only proprietors and partnerships are separate legal entities and provide limited liabilities for their owners/members, and it is being subject to corporate tax rates. A corporation is more complicated and expensive to set up than it offers more protection and benefits for the owners/members.

### 2.1.4 Strategy Management Concept

Strategic Management is one of the tasks of management to confront situations that arise in an organization’s daily routine while trying to achieve organizational goals and objectives (Alkhafaji, 2003). It is the science and art of formulating, implementing, and evaluating cross-functional decisions that helps an organization to achieve its objectives (Kaplan & Norton, 1996). Strategic Management implies to the series of decisions taken by management to decide the long-term objectives of the organization and the means to achieve these objectives. fundamentally, it is concerned with the complexity arising out of ambiguous and non- routine situations with the firms rather than operation-specific implications (Scohles and Whittington, 2008). It is about understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action (Johnson, et.al, 2008). Strategic management involves specifying the organization's mission, vision and objectives, developing policies and plans in terms of projects and programs then allocating resources to implement the policies and plans in projects and programs. In the Corporate sector, the emergence of strategic management began after the culmination of Second World War (Zafar and Abbas, 2013).

According to (Higgins, 2005), strategies are formulated to aaccomplish an organization’s purpose, it is a comprehensive, long-term plan indicating how the firms will achieve its missions and objectives (Kayale, 2012). It is the direction and scope of an organization over the long-term which achieves advantage for the firms through its configuration of resources within a challenging environment, to face the needs of markets and to fulfill stakeholder expectations (Johnson et al. 2008). Strategy sets direction, focuses effort, improves coordination of activity and affects the entire welfare of the organization (Lampel, 1998).

### 2.1.4 Firms

According to (Kenton,2023), a firm is a for-profit business, mostly formed as a partnership that provides professional services, likely legal or accounting services. The theory of the firm postulates that firms exist to maximize profits. Not to be confused a company with a firm, a company is a business that sells goods and/or services for profit and includes all business structures and trades while a business firm has one or more locations which all have the same ownership and report under the same Employer Identification Number and a firm may use natural, capital, or people-related resources to generate operational success.

typically, the theory of the firm has developed a vigorous stream of studies on the existence, boundaries, and internal organization of the firm. Significant contributions have been made on the basis of different forms of transaction costs and the nature of principal-agent relationships. More recently, evolutionary theory,the resource-based view, as well as knowledge-based theories have all described alternative conceptions of the nature and boundaries of the firm. With few anticipations, existing theories have been entailed with boundary decisions in a context of established firms as well as relatively easily identified and evaluated alternatives. Boundary decisions have been framed as a choice between internal organization under stable and arm's length contracts or slowly changing technological conditions, if the determining factors be transaction costs (Williamson, 1991), the costs of coordinating diverse production skills (Conner and Prahalad, 1996), Because of their preoccupation with earlier established firms, existing approaches to the theory of the firm have substantially diverted attention from the analytically interesting period surrounding new firm formation. New firm formation concept also involves the presence of individuals or entrepreneurs whose personal convictions and subjective opinions play a crucial role in the recombination and reorganization of the already existing resources and exchange relationships.

The concept term firm is as not the sole property of economists, but the term raises are various that focus of an extensive literature in economics, there is a lamentable absence of consensus concerning the definition of the firm (Hodgson, 2019). We must therefore consider additional sources. The term's application in law is somewhat marginal. The English practice of entailing certain partnerships 'firms' has died out. But the absence of a technical description of firm in law does not imply that the law is blind to the firm or that it plays no key role in facilitating the firm's existence. In addition to that, with these guidelines in mind, let us briefly examine the etymology and modern application of the word firm. The Chambers Dictionary of Etymology states the origin of the meaning of firm to refer as a company borrowed from German Firma a business or name of business, originally is about signature, from firmare to sign, from Italian firma signature (Barnhart, 1988). But a narrower meaning of a firm as a partnership that has a special colloquial application such as a legal or medical partnerships, as in the film namely The Firm, starred Tom Cruise. But dictionaries carry a broader meaning as well. The (Merriam-Webster, 2021) states a narrower meaning in terms of a 'partnership' and a broader meaning as 'a business unit or enterprise'. Accordingly to (Collins, 2021) that regards the firm as meaning 'a business partnership' or 'any business enterprise' that works together. Also, a firm is as 'a company or businesses as regarded by (Cambridge University Press, 2021).

## 2.2 Theoretical Literature review

### 2.2.1 Ethiopia

Ethiopia, which is officially known as the Federal Democratic Republic of Ethiopia, is a land locked country (Donald, 2023) which is located in the horn of Africa region of East Africa. It shares borders with Eretria to the North, Djibouti to the Northeast, Somalia to the East and Southeast, Kenya to the south, South Sudan to the west, and Sudan to the northwest. According to (Embassy of Ethiopian Washington,20203) Ethiopia covers a land area of 1,112,000 square kilometers (472,000 sq. miles). As per the (Embassy of Ethiopian Washington,2023) As of 2023, it is home to around 126.5 million inhabitants, making it the 13th most populous country in the world, the second most populous nation after Nigeria, and the most populated landlocked country on Earth (the world factbook, 2023). The national capital and largest city of Ethiopia is Addis Ababa which lies several kilometers west of the East African Rift valley that splits the country into the Africa and Somali Tectonic Plates (The world factbook, 2021).

According (African Economy Outlook, 2023), the Ethiopian Real GDP growth fell to 5.3% in 2022 from 5.6% in 2021 but is still above East Africa's average (4.7% in 2021 and 4.4% in 2022). Supply-side drivers of growth were services, industry and demand-side drivers were investments and private consumption. Inflation rose to 34% in 2022 from 26.6% in 2021. Both growth and inflation were adversely affected by internal conflict, drought, and the effects of Russia's invasion of Ukraine on commodity prices. The fiscal deficit exceeded to 4.2% of GDP in 2022 from 2.8% in 2021 due to higher defense spending and weak revenue performance. The banking sector, dominated by state-owned banks, is still stable, although the nonperforming loans ratio was 5.4% in the year 2021, above the required 5.0% due to conflict-induced project stalling. The current account deficit worsened to 4.0% of GDP in 2022 from 3.2% in 2021 due to increasing prices for commodity imports. Global reserves declined to almost 1 month of import cover in 2022 from 2.2 months in 2021. Public and publicly guaranteed debt declined to almost 50% of GDP in 2022 from 51.0% in 2021. Ethiopia gained from the G20 Debt Service Suspension Initiative in 2020/21. Nevertheless, Ethiopia's application for the G20 Common Framework for debt restructuring in 2021 has seen Fitch and S&P downgrade its sovereign rating from B to CCC. Income per capita increased to 2.7% in 2022, but inter-conflict and drought increased humanitarian support requirements from 15.8 million people in 2021 to almost 20 million in 2022. The risk of the GDP is projected to grow 5.8% in 2023 and 6.2% in 2024, driven private consumption,by industry and investment. The rebounding tourism, peace dividend and prospect of liberalizing more sectors are expected to boost the growth outlook. Inflation is projected to decrease to 28.1% in 2023 and 20.1% in 2024, following the peace dividend. The fiscal deficit is projected to increase to 3.1% in 2023 and 2.5% in 2024 due to the anticipated increase in government revenue driven by domestic resource mobilization growth, implementation of the fiscal consolidation strategy as well as resumption of donor inflows. The current account deficit is expected to 3.7% of GDP during 2023/24 as merchandise and service exports and foreign direct investment grow and imports of capital inputs continue to decline. Headwinds include inter-ethnic conflicts in various parts of the country, drought, debt vulnerabilities, and the impact of Russia's invasion of Ukraine.

To date, significant evidence shows that growth of micro and small scale business firms is a critical ingredient in sustainable development of developing economies (Mbugua et al. 2013). In Ethiopia, the imperativeness of this sector is noticed on different documents like industrial policy, Business firm development strategy, and the growth and transformation plans I and II to accelerate growth and reduce poverty as stated by (Esubalew and Raghurama, 2017). However, both the level of unemployment and quality of jobs remain a concern in spite of the growth and transformation through the promotion of the sector have been mainly underscored in different development plans of the country (Tarfasa et al. 2016). Moreover, operation and growth of these firms have been persistently challenged by numerous factors; even a key number of firms in different parts of the country have collapsed and goes out of operation (siyoum et al, 2016).

So as to curb, the constraints of unemployment and identify growth determinants, a detailed and regular study at national, regional, and firm level is important to provide result-oriented and sustainable support to the sector (Woldeyohanes, 2014; Fissiha, 2016). For this reason, quite a significant number of studies have been carried out in various parts of the country to identify growth determinants. This includes the studies made by (Tefera et al, 2013; Adem et al, 2014; Feleke, 2015; and Seyoum et al, 2016) to mention a few. However, most of the studies provide neither consistent findings nor address business firm's growth determinants in the emerging regions of the country like Afar, Somali, Gambela, and Benishangul-Gumuz Regional State. To the excellence of the researcher's knowledge, too limited researches were conducted in Benishangul-Gumuz. The first one is a study made by (Abebe et al, 2016) that assessed the challenges and performances of business firms in a descriptive way neglecting inferential statistics. Secondly, a research was made by (Abara and Banti, 2017) which analyzed the role of financial institutions on growth of only 57 sampled business firms using percentage change in assets as proxy of growth. Besides, this study incorporated only access to credit, firm age and firm size to investigate growth influencing factors, ignoring more of growth constraint variables.

In the same vein, apart from the Ethiopian context, empirical studies have been carried out in various parts of the world to identify the factors that affect business firms' growth. However, evidences in developed and developing countries stated inconclusive findings with regard to the determinants. In spite of the impact and magnitude of variables on firm growth vary from country to country, region to region, and firm to firm, there are many common factors known as growth determinants in literature of small business. To mention a few, initial investment, firm location, access to land, sectoral engagement, business experience, gender of owner, education, market linkage, motivation of owner, proper record keeping, access to finance and financial management practice are among others. These variables were collected from studies made by (Zhou and de Wit, 2009; Tefera et al, 2013; Abay et al, 2014; Feleke, 2015; Aynadis, 2014; Nganda et al, 2014, Fissiha, 2016; and Seyoum et al, 2016) through systematic review. Consequently, the above backdrop suggests at least three reasons why additional study in the area of business firms is important in the context of Ethiopia in general and Benishangul-Gumuz in particular as a developing region.

primarily, growth of Business has been persistently challenged by numerous factors; even a significant number of business firms in different parts of the country have collapsed and goes out of operation. Undoubtedly, small businesses in Benishangul-Gumuz specifically are no exception to this. Second, despite the fact that past empirical studies of various countries have identified the common factors related with small business growth, the influence and rate of each factor vary from one arena to the other which provide inconsistent findings that cannot be generalized and seeks further research. Third, in the context of Ethiopia, existing researches on growth determinants mainly focus on the developed regions and minimum evidence is documented in emerging regions of the country in addition to mixed results that leave the research gap.

Therefore, the purpose of this study was to examine the role of strategic management on the Ethiopian Business firms and its driving factors operating in Ethiopia. The novelty of this paper is that it incorporated demographics, firm specifics, and external factors so as to fill the gap in the scant business growth literature as an emerging nation unlike the existing studies.

### 2.2.2 Strategy Management

Literally, the most critical challenge facing most organizations today is coping up with today's business game and dynamism. For last few decades, organizations have been encountering fierce competition in their external environment in which they operate (Alkhafaji and Iftekhar, 2013). Strategic approach to management has become modus indispensable in most major organizations in the past several decades (Asghar, 2011). Strategic management as a concept is involved with making decisions and taking corrective actions to attain long term targets and goals of an organization. Strategic Management is one of the efforts of management to come across situations that arise in an organization's up to date routine while trying to achieve organizational goals and objectives (Alkhafaji, 2003). It is the typical art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to attain its objectives (Kaplan and Norton, 1996). Strategic Management refers to the series of decisions taken by management to decide the long-term objectives of the organization and the means to achieve these objectives. Essentially, it is concerned with the complexity arising out of ambiguous and non-routine conditions with organization wide rather than operation-specific implications (Johnson and Whittington, 2008). It includes understanding the strategic role of an organization, making strategic choices for the future and managing strategy in action (Johnson, et.al, 2008). Strategic management involves specifying the organization's mission, vision and objectives, plans in terms of projects and programs and developing policies then allocating resources to implement the policies and plans, projects and programs accordingly. In the Corporate sector, the emergence of strategic management began after the culmination of Second World War (Zafar, Babar & Abbas, 2013).

(Roney, 2010) asserts that the aim of strategic management is to discover the nature and sources of competitive advantage. For (Teecei  et al, 1997) as well as (Njagi and Kombo, 2014) also, argued the fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage. The assertion by it provides the entire direction to the enterprise (Kayale, 2012). It is a tool that has been successfully applied by the ailing corporate organizations to prepare for the challenges of the future and promote their long term performance (Zafar, et.al, 2013).

The key element in strategic management is strategy it self. According to (Higgins, 2005), strategies are formulated to achieve an organization's purpose and it is a comprehensive, long-term plan indicating how the corporation will achieve its missions and objectives as stated by (Alkhafaji, 2003) & (Kayale, 2012). It is the direction and scope of a corporate over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the demand of markets and to fulfill stakeholder expectations (Johnson et al, 2008). Strategy sets direction, focuses effort, improves coordination of activity and affects overall welfare of the organization (Ahlstrand and Lampel, 1998).

In order to facilitate the strategic management process to work effectively, strategies are formulated and implemented at three levels; corporate, business and functional. This is helpful in achieving both the annual and long term objectives. Corporate strategy is: the highest level of strategy; is concerned about the entire purpose and scope of the organization and provides direction for a firm on what kind of business it should invest in (Johnson et.al, 2007); It addresses questions of where the organization is today, how it wants to get there, and where it wants to be. Business level strategies which is in other words operational strategies are concerned on how to compete successfully in particular markets and on how the component parts of an organization deliver effectively and efficiently the corporate and business-level strategies respectively (Johnson et.al, 2007). Functional level strategies are the means taken to effectively implement the higher level of strategies and addresses relatively restricted plan providing objectives for specific function. (Zafar et al, 2013).Michael porter proposes cost leadership and differentiation as two generic strategies as (Wheelen & Hunger, 2012) stated. When these strategies are focused on the market niche, they are known as differentiation focus and cost focus . Cost leadership is a lower cost competitive strategy that entails at the broad mass market and requires aggressive construction of efficient scale facilities, tight cost, vigorous pursuit of cost reductions from experience,overhead control, avoidance of marginal customer accounts, cost minimization in areas like R&D, service, sales force, advertising, and so on (Wheelen and Hunger, 2012). The logic is, because of its lower costs, the cost leader can charge a lower price for its products than its competitors and still make a satisfactory profit. For the same authors, differentiation strategy entails the creation of a service or product that is perceived throughout its industry as unique justifying the imposition of a premium price for the product. The specialty can be related with design or brand image, features, technology, a dealer network, or customer service. For them differentiation is a feasible strategy for earning above average returns in a specific business. (Wheelen & Hunger, 2012) described cost focus as a low-cost competitive strategy that focuses on a specific buyer group or geographic market as well as attempts to serve only this niche to the exclusion of others. Differentiation focus, as cost focus, concentrates on a particular product line segment, buyer group or geographic market. They further state that this strategy is valued by those who believe that a firm or a unit which focuses its efforts is better able to serve the special demands of a narrow strategic target more effectively than can its competition. (Porter,2010) stated that to be successful, a company or business unit ought to achieve one of the previously mentioned generic competitive strategies.

### 2.2.3 Strategy management theoretical framework

Strategic management emerged as a rational academic field of research in the 1960s during the Works of (Chandler's Strategy and Structure, 1962), (Ansoff's Corporate Strategy, 1965) or the strategy reference text of the day, the Harvard textbook Business Policy (Christensen, Andrews and Bower, 1973) contributed towards the foundations of this discipline. Focus has always been there on how firms can achieve their goals, mainly in terms of profitability and competitive advantage. As the literature on strategic management continues to mount providing attention to competitive advantage and the resource-based view of the firm, emerging streams of ideas evolved to focus not on the new business entry, but on how new entries are performed. Different theoretical approaches, most notably industrial organisation (IO), knowledge-based and learning organisation (LO), and resource-based view (RBV) are applied in the study of strategic management. Each of those theories has assumptions about the nature of strategic management as well as the concept of corporate entrepreneurship. Theoretically, both are always studied as separate disciplines: business management and performance respectively. The 1980s considered early attempts at understanding strategy and performance in mono context of organisational competitive advantage (Hoskisson et al, 1999).

### 2.2.4 Strategic management practices

According to (Thompson and Strickland, 2003) defining strategic management practices as the process whereby managers establish an organisation's long-term direction, set particular performance objectives, develop strategies to attain these objectives in the light of all the related internal and external circumstances. It consists the elements of scanning intensity, locus of planning, planning flexibility, planning horizon and Performance Control attributes that was reviewed in detail as follows.

#### *2.2.4.1 Scanning intensity*

Actually, the fields of strategic management and performance are both concerned with planning, the attainment of a sustained competitive advantage that yield above-average performance and returns as well as firm performance (Barney, 1991) and (Millar, 1985). The establishment of goals is integral to both strategic management and organisational performance (Spulber, 2004). To establish realistic goals, a clear vision of the external and internal environments ought to be developed. The external environment should include knowledge and information about competitors, government regulations, customers, macroeconomic changes and emerging concerns and trends (Hay and Williamson, 1997). Environmental scanning, thus, is the managerial activity of learning about events and trends in an organisation's internal and external environments accordingly (Hambrick, 1982) as he also refers to environmental scanning as a main unit of analysis that can facilitate opportunity recognition and enable to minimise uncertainty.

The role of scanning in the strategic management process is to identify information that may contribute an opportunity or present a threat to an organisation (Muralidharan, 2003). As the rate of environmental dynamism rises, scanning increasingly become a key strategic duties for managers (Freel, 2005) and (Munchus, 2004). A high level of environmental scanning is also a method of minimizing the uncertainty inherent in decision making by providing extensive analysis to realize and exploit environmental change (Frishammar and Horte, 2005).

Uncertainty is a perception perceived from an inability to assign probabilities to the future (Hoskisson and Busenitz, 2002). However, uncertainty absorption part of scanning is potentially a Bi-edged sword. Belief that scanning decreases all uncertainty can produce a false sense of security directing managers to potentially missing negative signals coming from the environment (Barringer and Bluedorn, 1999).

Hence, a high level of scanning is congruent with the performance process (Miller, 1983). Since firm performce promotes the search for competitive advantages through product, process, and market innovations, the intensity of its environmental scanning process should be directly related to its ability to recognise performance opportunities and be a key wealth creation activity.

#### *2.2.4.2 Locus of planning*

Roughly, the term locus of planning is about the depth of employee involvement in a firm's strategy planning activities. firms can be characterised as having either a shallow or a deep locus of planning (Reid, 1989). A shallow locus of planning is found in a bureaucratic organisation where the planning would be the exceptional domain of top management with little or no input from the low-levels. A deep locus of planning indicate that employees from all hierarchical levels in the organization are entailed in the planning process, similar to the concepts of team building and participative management. A deep locus of planning is demonstrated by the willingness of top-level managers to enable and promote performance behaviour in the workplace (Ireland, Kuratko, and Morris, 2006), and the commitment by top level managers to tolerate failure, to delegate authority and responsibility to middle-and lower-level managers and provide freedom from excessive oversight (Kuratko and Goldsby, 2004). Several reasons are with the consideration that deep loci of planning enable a high level of organizational performance in relation to strategic management. For example, operating-level managers are closest to the customers, suppliers and vendors, as well as can bring relevant external information to the internal planning process (Floyd and Lane, 2000).

There are suggestions that managers at all levels play key roles in many dimensions of organisational success (Ireland, Hitt, and Vaidyanath, 2002). Studies have empirically proved that the strategic decision-making process is participative (Jennings and Lumpkin, 1989). In discussing management practices, it is worthwhile to highlight the middle-level manager's unique role in the corporate to interface and communicate with top-level and operating–level managers. In an organisation with a deep locus of planning, this central organisational position of middle-level managers enables them to consider and absorb innovative ideas from inside and outside the organisation. In pro-active mode, it allows them to endorse, guide and refine opportunities, identify, and deploy organisational resources to pursue those opportunities from the environment (Nonaka and Takeuchi, 1995).

In theory, one would forecast conservative and risk-averse organisations to have a shallow locus of planning (Barringer and Bluedorn, 1999). If the management practices involves innovativeness, risk-taking, and proactive behaviours, a risk-averse organisation would not seek opportunity since change involves risk (Harris and Ogbonna, 2006). This is despite the observation that opportunity recognition is integral to strict performance (Hornsby, et. al., 2002). Risk-averse behaviour would encourage a shallow locus of planning.

#### *2.2.4.3 Planning Flexibility*

Strategic planning flexibility is about a set of capabilities used to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment (Hitt, et al, 2009). Four powerful forces are at consistant play: change, complexity, chaos and contradiction (Manson, 2007). As a result, the future profit streams from existing operations are uncertain and businesses are forced to find opportunities continually (Wiklund and Shepherd, 2005). Planning flexibility, then, indicates the capability of the firm to change and respond rapidly to changing conditions as environmental opportunities and threats emerge (Harrigan, 2001). Forces in the new competitive landscape require continual rethinking of existing strategic actions, communication systems, organisation structures, technological advances, corporate culture, investment strategies and asset deployment (Richard, et al, 2004). (Hitt, 2003), emphasises that the continually changing market conditions in today's economies mandate business firms to uphold strategic flexibility to help them take advantage of existing and new strategic opportunities as they get increased. Strategic flexibility depends on an understanding of the resources and capabilities available to the organization and on management flexibility in using those resources and capabilities to available choices of action (Sanchez, 1995).

High intensity of flexibility supports strategic management for business firms for several reasons. First, a flexible system attached with intense environmental scanning, allows strategic plans to remain daily and organic, which, will permit a firm's performance initiatives to be planned rather than to occur in an easy manner outside the parameters of strategy plan. This is congruent with Schumpeter (1936) who argued that performance behaviour must be flexible because the essence of firm performance is capitalising on changes in the environment. Schumpeter additionally maintained that the competition that counts is that from new innovative firms. A high degree of planning flexibility would mean that firms would be able to respond quickly to competitor influences and other changes in the external environment. Second, although the strategic management practices is intended to keep a firm in step with environmental changes, performing firms are not immune to inertia. Consequently, deliberate design of a flexible planning system diminishes the potential of encountering barriers to change when the need arises (Barringer and Bluedorn, 1999).

#### *2.2.4.4 Planning Horizon*

The extent of time that decision-makers in an organisation consider in planning is referred to as planning horizon (Das, 1991). Usually this coincides with the period important for the organisation to achieve its full circle routine strategies (Camillus, 1982). This period ranges from less than one year to as long as 15 years (Barringer and Bluedorn, 1999). The logic of planning horizon, according to Das (1991) is that, it should be long enough to allow planning for the anticipated changes in strategy while reasonably short enough to make detailed plans available.

The adoption of long term planning horizon is not tenable for business firm. It may engender a reluctance to deduct from a long-term view of the future despite short-term environmental changes. Therefore, long term planning horizon develops inflexibility that runs counter to the pro-active nature of the strategic management practices. Operating in turbulent environment dictates that a firm must first survive in the short-term before achieving long-term sustainability. Therefore, sole reliance on long-term planning would not be practical for a business organisation (Barringer and Bluedorn, 1999).

#### *2.2.4.5 Performance Control attributes*

Success in organisational strategy is measured against predecided goals and performances objectives. This study follows the argument that a given performance control system should ensure that the firm's strategic management practices meet set objectives (Pacheco-de-Almeida and Zemsky, 2007). Two forms of performance control attributes are involved to this study: objective financial controls and strategic subjective controls. However, in practice, measuring firm performance is the key challenge for researchers (Covin, et al, 2006). Therefore, strategic controls in an business firm should reflect internal mechanisms that allow facilitation and rewarding for creativity in the pursuit of opportunities through innovation in both short and long- term time lags. These controls should also allow organisational learning where knowledge upgrades and is utilised towards risk-taking, innovation and proactiveness.

Two practices of management control attributes are used in this study: financial and strategic: Financial controls include objective financial criteria return on investment, net income, return on equity, return on assets, sales growth and gross profit (Reese and Cool, 1978). High intensity of emphasis on financial control are congruent with competencies exhibited in conservative firms that hold financial measures tightly. They focus on rigid and disciplined control practices. The biggest criticism to use of objective control criterion is that it is heavily biased towards short-term gains at the expense of long-term growth and the all-significant competitive advantage and wealth creation (Hitt, Ireland, Camp and Sexton, 2000). It follows, therefore, that for business organisations, if strategic practices such as long-term planning and planning flexibility are organic and responds to supercompetitive environment, performance measures should also be adjustable to support the firm's planning process. Nonfinancial measurement would exactly be ideal control measure in this regard. These would include strategically important performance indicators such as market share, reputation, customer retention and corporate social responsibility (Antoncic and Hisrich, 2003), in Research and Development output, success in meeting target dates for new product or process introductions, and the accomplishment of quality control standards (Barringer and Bluedorn, 1999).

### 2.2.5 Business Firm performance

If the strategic management firm performance refers to management's strategy concerning proactiveness, innovativeness and risk-taking, it follows that there should be a positive relationship between strategic management and organisational performance in an business firm (Lumpkin and Dess, 1996). The goal of strategic management process is that firms achieve a sustained competitive advantage by executing strategies that exploit their internal strengths, through majorly responding to environmental opportunities, while neutralising ahead of the external threats and avoiding internal weaknesses (Barney, 1991) and (Reading, 2002). The idea of a sustained competitive advantage is more in line with the concept of wealth creation and firm performance.

Many researchers have identified the importance of the fit among various elements of business firms in the explanation and prediction of firm performance (Burns and Stalker, 1961), (Nadler and Tushman, 1997) as well as (Tosi and Slocum, 1984). At empirical level, past studies have shown positive relationships between strategic practices and various dimensions of firm performance (Lumpkin and Dess, 1991), (Smart and Conant, 1994), (Wiklund and Shepherd, 2005), (Yusuf, 2002), (Venkatraman and Ramanujam, 1986). (Chakravarthy, 1986) and (Cameron, 1978) insist that it is important to recognise the multidimensional nature of the performance construct.

(Lumpkin and Dess, 1996) suggest that strategic management practices may lead to favourable outcomes on one performance dimension and unfavourable outcomes on another performance dimension. For instance, a large investment of resources for a long-term project may detach from short-term performance. Therefore, several measures incorporating financial and non-financial goals that enable the strategic plan should be applied to capture broader and comprehensive conceptualisation of business firm performance (Murphy, Trailer, and Hill, 1996). Organisational literature makes it clear that sustainable performance is closely a multifaceted dimension that includes objective financial and nonfinancial attributes. Therefore, this study uses both forms of organisational performance control, financial control and strategic control (Hoskisson and Ireland, 1990).

Most business firms in the target population of the financial and business services sector are expected to be either protective of their information or closely held, therefore, managers will be unwilling to provide detailed financial accounting reports beyond what is available from public records (Dess, Ireland, and Hitt, 1990). Therefore, managers will be asked both financial and nonfinancial performance questions as stated by (Dess and Robinson, 1984) model. The respondents were asked to rank their firm’s performance in relation to similar firms on the criteria selected. The comparison to their peer group provides control for differences in performance that ought be be owing to industry (Dess, Ireland and Hitt, 1990) and strategic group impacts (Hatten, Schendel, and Cooper, 1978). Several measures will be applied to reflect the multidimensionality of the performance control construct (Cameron, 1978). Subjective, self- reported performance measures highly correlate with objective measures of  a business firm performance (Dess and Robinson, 1984) and (Venkatraman and Ramanujam, 1987).

Although the concept of organizational performance is very common in literature, its definition is complex because of its many meanings. For this reason, there isn’t a universally accepted definition of this concept in descriptive. Strategic management (miller, 2015) defined that firm performance refers to how well an organization is doing to reach its vision, mission, and goals. Assessing organizational performance is a key aspect of strategic management. Executives should know how well their organizations are performing to figure out what strategic changes would make. Performance is a very complex concept, however, and a lot of attention seeks to be paid to how it is assessed.

The two major considerations are (1) performance measures and (2) performance referents. A performance measure is a metric along which firms can be gauged. Most executives examine measures such as stock price, profits, and sales in an attempt to better understand how well their firms are competing in the market. But these measures provide just a sight of firm performance. Performance referents are also required to assess whether a firm is doing well. A performance referent is a benchmark applied to make sense of an organization's standing along a performance measure (miller, 2015).

The methods of business performance measurement still remain the subject of arguments for both business practitioners and academic communities (Punn and White, 2005). According to (Phillips, Davies and Moutinho, 2000) performance measurement methods can be divided into two major types: objective and subjective measurement. Objective measurements include sales volume, profit, return on investment, breakeven point, and inventory turnover whose data are analyzed in terms of the financial statements, such as balance sheet and income statement. While the subjective measurement rely on the perception of an firm's managers or owners in regards to the business performance achieved.

The criticism on the objective measurement firm's business performance is that its performance reports are hard to access, confidential, incomplete, and often inaccurate (Chong, 2008). In addition, in the objective approach, the amount of profit is often manipulated, and is complex to compare among various business sectors. Furthermore, (Chow and Van Der Stede, 2006) suggest that objective measurements are unreliable since they are too general and tend to consider backward rather than forward. Objective measurements are also more insisting on short- term gains rather than on long-term benefits. Consequently, managers or owners are difficult to comprehend the root causes of performance problems to make cross- functional choices so as to survive in uncertain business environments. A study by (Tang & Zhang, 2005) points that objective performance data is affected by certain industry factors and therefore inappropriate to undertake cross-industry comparisons. As a consequence of these inaccuracies, (Tang & Zhang, 2005) stated that previous researchers relied more on subjective business performance tracking due to complex obtaining objective performance data, particularly bank sectors.

With regard to subjective performance measurement, performance information is gathered and provided in non-monetary terms, likes sales volume, market share, customer satisfaction, employee turnover, westage reduction, and new product development, relevant to survive in a competitive environment (Verbeen & Boons, 2009). (Lema et al, 2012) argue that by subjective measurement, organizational managers or owners are willing to give their perceptions about business performance, including their perception in regards to the sensitive or confidential data needed by the firms to survive in a competitive and rapidly changing environment. (Parnnel, 2012) presents argument that the power of non-financial actions is due to their ability to provide insight into business processes, which in the long run is a better predictor of the future business performances. By understanding the empirical evidence the researcher applied subjective performance measurement for this study since it is too complicated to get an objective performance measurement through financial statements. Accordingly, the subjective measure of performance are; profit in a subjective manner, sales volume in terms output, market share, customer satisfaction and reduction of waste.

More specifically the following terms are used as a business performance indicator.

#### *2.2.5.1 Customer satisfaction*

According (Farris et al, 2010), Customer satisfaction is defined as a measurement that defines how happy customers are with a firm's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can enable a company determine how to best improve with changes its products and services. An organization‟s main focus must be to satisfy its most customers. This applies to industrial firms, retail and wholesale businesses, nonprofit organizations, government bodies, service companies and every subgroup within an organization.

There are two major questions to ask when establishing customer satisfaction: 1. What does it take to satisfy customers ? 2. Who are the customers?

#### *2.2.5.2 performance time*

Performance time is one of the most indispensable assets for any firm in the business world (Adebisi, 2013). This is virtual since time is tied to every firm's activity that feeds into its strategic objectives. As a main asset, its management is critical for organisational success and survival. As a result, time management could be considered as one of the critical competitive tools that can contribute towards promoted organisational performance (Ahmed et al, 2012).

Time performance management is necessary for any firm to carry out its operations effectively since Improved operational efficiency through time performance management contributes to firm's success. Research studies have empirically demonstrated the relationship between time management practices and organisational performance relatively (Njagi and Malel, 2012).

#### *2.2.5.3 performance Cost*

Cost of Performance is the direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with standard conditions or practices in the trade or business of the taxpayer to conduct the income producing activity which gives rise to the particular item of income (mohrr, 2016). Cost performance is the proper conduct and measurement of resources that must be expended in order to find an object or complete an activity. Cost performance is usually expressed in monetary terms, as in employee time; the materials to manufacture an item may be represented by their monetary value and Cost normally falls into the domain of managerial accounting and has the most essential purposes in the case of strategic project management (kaddarova, 2019).

The management and control of performance costs is fundamental to most business projects but around the world overruns in business scope and cost are commonplace. This can be broadly attributed to ineffective approaches to identifying, managing and controlling client demands, project scope and business cost. Numerous cost budget blowouts on crucial business projects around the world in the order of hundreds of millions and billions of dollars have attracted increasing worries, concern and attention at all societal levels. (Smith, 2014)

Cost performance is a significant factor of organizational performance achievement and the particulars of how a cost changes directly influences performance dynamics of the firm. A better way to consider costs comes from the realization that the process of transforming resources into saleable goods, services and is the essence of the operations as well as the relationship between processes and profits is because of the cost performance management where financial results emerge to be compared with all resources which produced them (Satyendra, 2020).

#### *2.2.5.4 service innovation*

The Finish research agency (TEKES, 2011) defines service innovation as "a new or significantly improved service concept that is undertaken into practice. It can be for example a distribution system, a new customer interaction channel, or a technological concept or a combination of them. A service innovation usually includes replicable elements that can be identified and systematically reproduced in other environments or other cases. The replicable element can be the service outcome or the service process or a part of them. A service innovation benefits both the customers and the service producer and it improves its developer's competitive edge. A service innovation is a service product or service process that is based on some the systematic method or technology. In services however, the innovation does not necessarily in accordance to the novelty of the technology itself but the innovation often lies in the non-technological areas as well.

Another definition proposed by (Van Ark et al, 2003) states service innovation as a "new or considerably changed service concept, service delivery system, client interaction channel, or technological concept that individually, but most likely in combination, guides to one or more service functions that are new to the firm as well as it changes the service/good offered on the market and do need structurally new technological, human or organizational capabilities of the service firm." This definition covers the notions of non-technological and technological innovation. Non-technological innovations in services necessarily arise from investment in intangible inputs.

Organizational service innovation is critical for the success of a business firms as it enables businesses to increase employee engagement, stay competitive, productivity, enhance the customer experience, and become more flexible with adaptable to change (Allharbi, 2019)

#### *2.2.5.5 productivity*

Productivity is the efficiency of production of services or goods expressed by some measure. Measurements of productivity are usually expressed as a ratio of an aggregate output to a single input or an aggregate input applied in a production process, in the instance of output per unit of input, typically over a specific period of time-frame (burton, 2001). The most common example is the aggregate labor productivity measure, one instance of which is GDP per worker. There are many different definitions of productivity with those that are not defined as ratios of output to input and the choice among them depends on the aim of the productivity measurement and data availability. The key source of difference among various productivity measures is also usually related directly or indirectly to how the outputs and the inputs are aggregated to find such a ratio-type measure of productivity (Valentin et al, 2019)

productivity guides to higher output, reduced costs, improved employee morale, better customer service, and increased overall profitability, as well as positioning businesses for sustained growth and it also measures how efficiently a firm or its employee convert inputs, like labor and capital, into outputs, like services and goods (Drucker, 1954)

#### *2.2.5.6 Service Quality*

From the viewpoint of Business management, service quality is an achievement in customer service (Kenzelmann, 2008) and It reflects at each service encounter. Customers form service anticipation from past experiences, word of mouth and marketing communications as stated by (Parasuraman and Valarie, 1991) and In general, customers compare perceived service with the expected service, and if the former falls short of the latter the customers are firmly disappointed.

Service quality of a firm are the superior theme that would lead to better performance and have benefits for the firm like market share growth responding to their needs, customer loyalty, and productivity for the firm. They use the quality of service as a lever to create competitive advantage for the business firm and it is one of the most significant topics in the field of marketing and services management (Jafad, 2016)

### *2.2.5.7 Proper Resource Utilization*

According to (Clearry, 2022) Resource utilization is the resource planning used to help managers and leaders understand performance and effort over a specific amount of time period. It measures your team's productivity and can assist you understand if your organization is over or underutilizing resources. In line with that, Resource utilization differs from resource allocation in a few key ways like Resource utilization measures the efficiency of your resources, while resource allocation is the process of picking the right resources for various projects. However, both elements are mainly part of resource planning and resource management.

Effective utilization of resources can be helpful for both firms' employees, managers and employers. Not only does it ensure that firm's staffs have enough work to make their role viable and profitable, on the other hand of the spectrum it can also prevent overworking and burnout by providing a more balanced work life overall (pales, 2018).

### *2.2.5.8 Profit*

According to (Amadeo, 2019) Profit is simply the revenue remaining after all costs are paid. These costs include labor, interest on debt, materials, and taxes. Profit is usually applied when describing business activity. But everyone with an income has profit and It's what's left over after paying the entire bills/costs. Profit is usually the reward to business owners for investing. In bank industry, it's paid directly as income and In corporations, it's often paid in the form of dividends to whole shareholders. When expenses are higher than revenue it leads to a loss but not profit. If a firm suffers losses for too long, it goes bankrupt.

### *2.2.5.9 Product Output*

(Springer,2015) defined output is the overall quantity of goods and services that an individual, a business firm, industry, city, region or country, or even the whole world produces in a given period time.

#### *2.2.5.10 Waste reduction*

Waste minimization is a set of processes and practices intended to minimize the amount of waste produced by reducing or eliminating the generation of unwanted harmful and persistent wastes, waste minimization supports efforts to improve a more sustainable society. Waste minimization entails redesigning products and processes or changing societal patterns of consumption with production (Davidson, 2011)

#### *2.2.5.11 Market share*

Market share is the percentage of the total market that is being serviced by the business firm measured either in the revenue terms or unit volume terms. The higher is the market share, the higher proportion of the market to be controlled (Farris et al, 2010).

### 2.2.6 Advantages of strategy Management

As revised the definition of strategy discussed above, it is evidently clear that the concept of strategic management practice would be beneficial to any organization eager to succeed. Proponents of the strategic planning concepts including (Mintzberge,1988) pointed to a number of merits for any firms having business strategy. These include that strategy enables a business set the direction for its overall journey through its environment ensuring that all the set-out goals and objectives are aligned with the proposed mission and that they all fit and are followed. Strategy also enables an organization focuses its endeavour as it helps all employees and management to coordinate the actions and plans that prevent failures and disorderliness in the implementation of goals and objectives (Spender, 2014). Also, businesses utilize strategies to seize the competitive advantage over industry competitors through the application of a strategy that better attracts customers, understand competition thereby increasing revenue, seize cost leadership market share and finally better position the business to duly differentiate itself as a market leader.

firms can reap several benefits from appropriately practicing strategic management. At first, strategic management provides better guidance and successfully lead to the entire organization on the crucial point of what we are trying to do and achieve (Thompson &

Strickland III, 1992). The second benefit is seen financially as an effective strategic management system improves profitability (Certo and Peter, 1988) since it provides managers with a rationale to evaluate competing budget request for investing new staff and capital (Thompson & Strickland, 1992). In addition, we need not to forget, that strategic management systems provide clear objectives, consistency of actions and direction for employees; in turn, boosting their commitment for the sake of the sacred objective of succeeding corporate synergy.

Strategic management's emphasis on assessing and analyzing the organization's environment enables firms to anticipate changing conditions, and thus makes it less likely to be surprised by movements within the market place, or by actions of competitors that may put the organization at a sudden disadvantage. It also led managers into the habit of thinking in terms of the future as they launch strategic offensives to grasp sustainable competitive advantage and then use their market edge to succeed superior financial performance; Hence, aggressive pursuit of a creative, paving the way for its products/services to become the industry standard and opportunistic strategy can propel a firm into a leadership position. Moreover, the business entities that perform strategic management are more feasible, and directly have a higher probability of success than those who do not. Because of the following reasons:

- Strategic management is one way to systemize the most essential of business decisions in which business involves great risk taking, and in turn the strategic management attempts to provide data so that reasonable and informed gambles can be carried out when necessary.
- Strategic management helps educate managers to create better decision-makers. It helps managers that examine the basic problems of a company.
- Strategic management helps improve corporate communication, the allocation of resources, the coordination of individual projects, and short-term planning such as budgeting (Jauch and Gluek, 1988).

Finally, while strategic management will not wholly be a cure-all, especially for incompetent management, it can go a long way toward promoting an organization's long-term performance. However, there are conditions where the benefits are not guaranteed. There are two major compelling reasons for holding off on a strategic planning effort. At first, strategic planning could not be the best choice to make if the organization has its falling stage At second, strategic planning should not be carried out and is considered a waste of time if the leaders lack the appropriate resources, skills, and commitment to go through the whole process of strategic planning (Bryson, 1988).

According to (AndraPicincu, 2018), the strategic management process has several stages, including situation analysis. Once you've set goals for your business, you need to make sure you can actually achieve those objectives. This requires a good understanding of the internal and external environmental factors that impact your organization. At this point, it's necessary to assess and examine the market and gather information relevant to accomplishing your goals. Consider the local and national economy as well as your competition of the the market trends. Evaluate your company's strengths and weaknesses, its tangible resources, the resources and the threats it may be facing. The next step is to formulate and implement a strategy that aligns with the firm’s vision. This process not only helps you reach your goals but also enables you to identify new opportunities and areas of improvement. For instance, if you're planning to launch a new product, strategic management can provide you a better understanding of the market. furthermore, it provides the information you need to make smart choices and set your priorities straight.

More ever, strategic management helps an organization attain and maintain a measure of consistency by enabling business leaders and employees eliminate uncertainty in plans and action thereby coming across confusion on the question of who when and what whenever a plan of action is to be carried out.

### 2.2.7 Dis Advantages of strategy Management

In spite of the advantages outlined above, overconfidence on strategic management may become a problem as it may prevent organizations from perceiving latent risks ahead because of their fixation with long term plans. Also, unquestioning conformity by everyone in the organization may blind the firm from other potential opportunities since no one is looking elsewhere. So, the need for a balance of processes and practices in order to avoid knowledge working against one's progress, provided that any strategy simplifies a long-term firm's business plan, it can unintentionally alter the fact in practice. (Johnson et al 2013). Another major Disadvantages of Strategic Management include: You cannot be sure of the future of your organisation condition; It can be expensive; Strategic management is fit for Long-Term Benefits not for Immediate-terms' Results; Impedes flexible decision-making; Strategic management impedes creativity; and Strategic management is a complex process.

Nevertheless, (Mabe, 2017) in his contribution pointed out that the adoption of Strategies or Strategic Management Practices on itself may not provide the necessary rewards, especially when its design is outsourced externally from the firm's business but that only established knowledge of how the management practices associated with a conscientious understanding of the whole strategic planning process by the whole organization and especially its leadership can only bring about the desired impact.

### 2.2.8 The school of though

(Mintzberg et al, 1998) in their quest to contribute to the strategy planning arguments put forward ten schools of thoughts for strategy formulation. These schools of thoughts are the design school, positioning school, entrepreneurial school, planning school, cognitive school, power school, cultural school, learning school, environmental school as well as configuration schools The ten schools they further categorized into three main groups; the the descriptive schools, prescriptive schools, and the integrative schools of thoughts.

The model illustrates the ten schools in a strategic viewpoint and provides a critical perspective on all and by so doing, it represents a general idea of strategic management concept.

The ten schools of thought are summarized in Fig-1 below.


Figure 1- the ten school of taught

This framework has tremendous relevance of this study, on the role of Strategic Management Practice on the firm's Performance focusing on the business sector in Ethiopia for a number of reasons. Given that a school of thought can be considered as an intellectual belief in which communally arrived at by a set of people who share similar views or belief, the ten schools of thoughts listed above are all viewpoints involving each set of people on their strategic management. Hence, any study covering geography where perspectives on the subject matter are not up to scratch with the up to date and extant body of knowledge constitutes a worthy effort. So, it allows for a debate on the viewpoint of people from various cultures, opinion, settings and feelings which would fall into any of the schools of thought listed down in detail.

Mintzberg is a globally-acclaimed academician and author on management and business with the model he illustrates each school in strategic perspective and provides a critical viewpoint; it drives as a good overview for strategic management with the following:

**1. The Design School:** this school is responsible for (SWOT) development of the Strengths, Weaknesses, Opportunities and Threats model. Strengths and weaknesses of a firm are mapped, along with opportunities and threats. The strategy is a suitable between internal capabilities and external potentials. The General Manager is a strategist who develops strategy and controls execution.

**A critical view of Design School:** Design thinking of the school is a process that applies creative approaches from designers' toolkits to address problems. While it grows on diverse participants, there are several multitude factors that affect the process. These include how information is searched for and processed, personal behaviour and emotions as well as how design variables are considered. Not much research studies is gone into it.

**2. The Planning School:** It has its own theoretical roots in system theory and cybernetics that runs towards planning the entire strategy in a rigorous manner in order the firm gallops ahead.

**A critical view of Planning School:** Criticality arises when something occurs out of plan and when plans are made years in advance and changes take place either in the industry, the process goes for a toss. appropriate prediction is essential when using this school of thought.

**3. The Positioning School:** Its central focus is the industrial-economic point, with the work of Michael Porter being particularly important. Competition and a competitive position are analysed on the basis of economic concepts; firms must choose one out of the three main generic strategies: cost-leadership, differentiation or focus. This school is strongly influenced by economics.

**A critical view of Positioning School:** Here the strategy assumes only the market will remain as it is as it does not take into consideration new entrants and their energy.

**4. The Entrepreneurial School:** about this, the environment can be influenced and manipulated. Entrepreneurs are capable of bringing innovative products and services to the market, quite detached from the existing laws of the market and developed on the basis of characteristic dynamics.

**A critical view of Entrepreneurial School:** The problem with this school is only about one question: Where to find a mature, talented experienced, and honest leader? If a firm designs its strategies based on recommendations by the leader, he/she has to be a visionary leader and who takes responsibilities of success and failure of strategies.

**5. The Cognitive School:** The word 'cognitive' has psychology as its root discipline. It considers the environment to be demanding and hard to comprehend. about it, the organisation depends a lot on 'mental maps' for making strategies. specially, strategy is not so much planned, but rather emerging and incremental.

**A critical view of Cognitive School:** The cognitive model is not applicable beyond a point. A firm cannot rely solely on survey reports and researchs to find new ideas or to make associations with their customers.

**6. The Learning School:** in this school Psychology is at the root. The human mind is both complex and unpredictable. The nature of business environment as coupled with a decentralised distribution of knowledge makes distribution of information complex. So, It has been observed that organisations which follow the learning school model make strategies looking at the past.

**A critical view of Learning School:** it is More than a strategy, it looks like steering or guiding the company on the basis of previous roadmaps and planned strategies. It is not advisable to depend on decisions of the past because change is constant in the market.

**7. The Power School:** People in power have the shots. The power centres can be customers, workers' unions, suppliers, or leaders. The power school is certainly very political at times; the cartel that is powerful forms alliances, negotiates, and works for it.

**A critical view of Power School:** The trouble occurs when powerful people stop listening and do not take feedback for carrying out improvement measures.

**8. The Cultural School:** A positive culture improves innovations and entrepreneurial culture. In this school, strategy formation becomes subject to a company's unique values, styles of decision-making and subjective perspectives. In this school, Strategy formation is a process of social interaction which is based on the beliefs and understandings shared by members of an organisation. It's most applicable during M&As.

**A critical view of Cultural School:** During changes taking place in a firm, people resist it since they get used to an archetypal culture. Moreover, when a strong culture is built, direction becomes strictly hazy.

**9. The Environmental School:** It's situational, and provides importance to the environment; for instance, in the IT industry etc, it needs upgrades and is ever-changing. So, situational analysis is the most important tool in this school.

**A critical view of Environmental School:** Firms seek to be agile; processes depend on the environment, which constantly changes. It is hard for organisations to keep changing their strategies constantly.

**10. The Configuration School:** It's one of the most preferred since its basic premise is that the strategy seeks to be configured; it needs to be well-planned, well-delivered and well-configured strategy.

**A critical view of Configuration School:** The firm's stable business needs to be disrupted, and the organisation has to be configured so that it can reach the successes it aims at.

### 2.2.9 The strategy management process

In order to facilitate the strategic management process, strategies are formulated and implemented at 3 levels; corporate, business and functional. This is useful in achieving both the annual as well as long term objectives. Corporate strategy, is the highest level of strategy, it involves the overall purpose and scope of the organization and provides direction for a firm on what type of business it should invest in (Johnson, et al, 2007). It deals with questions of where the organization is today, where it wants to be and how it will get there. Business level strategies are concerned on how to compete successfully in particular markets and on how the component parts of a corporate deliver effectively the corporate and business-level strategies respectively (Johnson, et al, 2007). Functional level strategies are the means or approaches taken to effectively implement the higher level of strategies and addresses relatively restricted plan providing objectives for specific function. (Zafar, et.al. 2013).

Michael porter proposes cost leadership and differentiation as double generic strategies (Wheelen & Hunger, 2012) as these strategies are focused on the market niche, they are known as cost focus and differentiation focus. Thus, Cost leadership is a lower cost competitive strategy that aims at the huge mass market and requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, avoidance of marginal customer accounts, tight cost and overhead control, and cost minimization in areas like research & developments, service, sales force, advertising, and so on (Wheelen & Hunger, 2012:186).

Furthermore, the strategic management process can provide you a competitive edge.The logic is, because of its lower costs, the cost leader is able to charge a lesser price for its products than its competitors and still make a satisfactory profit. For the same authors, differentiation strategy entails the creation of a product or service that is got throughout its industry as unique justifying the imposition of a premium price for the product. The specialty can be related with design or brand image, technology, a dealer network, , features or customer service. For them differentiation is a possible strategy for earning above average returns in a specific business. (Wheelen and Hunger, 2012) define cost focus as a low-cost competitive strategy that focuses on a specific buyer group or geographic market and attempts to serve only this niche, to the implementation of others. Differentiation focus, like cost focus, concentrates on a specific buyer group, product line segment, or geographic market. They further state that this strategy is valued by those who perceive that a company or a unit which focuses its efforts is better able to serve the special demand of a narrow strategic target more effectively than can its competition. Porter also stated that to be successful, a firm or business unit must achieve one of the previously mentioned generic competitive strategies.

### 2.2.10 Components of strategic management Process

Strategic management is the domain of top level management and entails the four basic components which are Environmental scanning, Strategy formulation, Strategy implementation and Monitoring and control (Alkhafaji, 2003) and (Wheelen and Hunger 2008). (Ahlstrand and Lampel, 1998) as well as (Zafar, et al, 013) also noted that strategy passes through these four stages: environmental scanning, strategy formulation, strategy implementation and evaluation or monitoring. All of these four components are crucial to successful strategic business management (Baroto, Arvand and Ahmad, 2014).

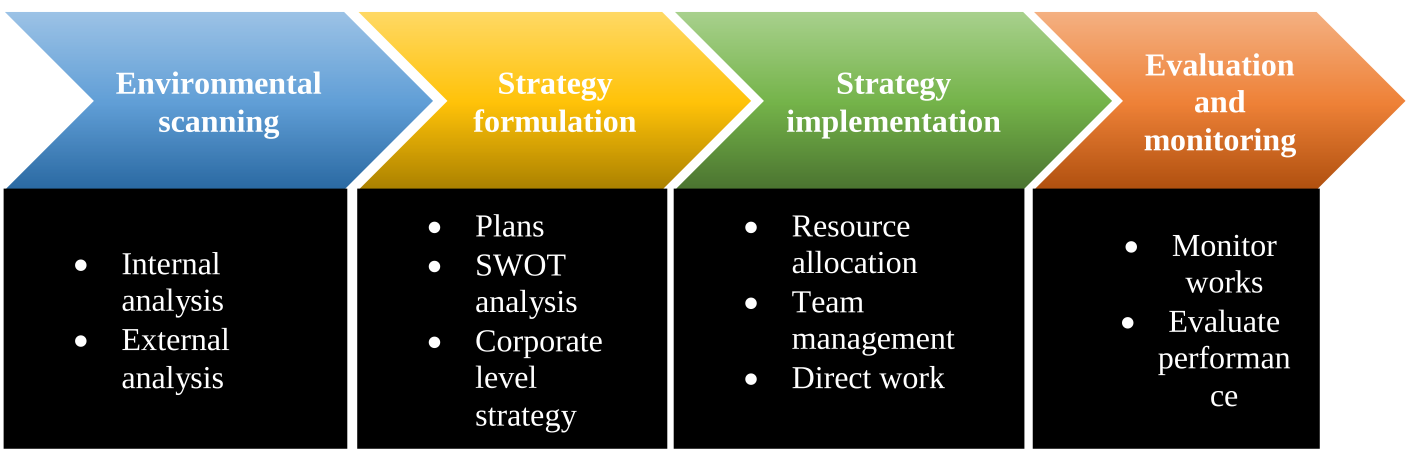



Figure 2- strategic management processes

#### *2.2.10.1 Environmental Scanning*

For (Alkhafaji, 2003), success of a strategy depends on its alignment with the firm's environment through using environmental scanning. Environment scanning or situational analysis is the starting point of the entire strategic process (Azhar, et al, 2013). It is also known as environmental assessment and includes analysis and forecasting of the firm's relevant markets, economy and industry structure (Roney, 2010). Environmental scanning is the acquisition and application of information about events, trends and relationships in an firm's environment, the knowledge of which would help management in planning future courses of action. It is important in identifying the main issues affecting organizations by helping to detect SWOT.

The corporate appraisal should be one of the primary steps in the process of preparing strategic plans, and should contribute both the platform based on which the corporate objectives are created and the baseline of the strategic plan (Hussey, 1998). Environmental scanning, also referred to as environmental analysis, is the first step in the strategic planning process and is the approach by which organizations identify the main issues affecting them (Johnson, et al, 2007). (Ruocco and Proctor, 1994) suggest that an environmental analysis is a critical step in the planning process that should be performed to gather all the information necessary to develop effective strategies. Simply stated, it is the process of analyzing internal and external factors affecting the firm and its ability to pursue a given course of action.

External environmental analysis entails examining the conditions and forces affecting the organization's strategic options that are typically beyond the organizational control. It is done by way of evaluating the environmental factors at macro and micro level so as to identify the organizational threats and opportunities (Zafar, et al, 2013). The macro environment refers to the general layer of the environment and contains of broad environmental factors that impact almost all organizations (Johnson, et al, 2007). These authors states external environmental analysis tools such as SLEPT Analysis which are (Analysis of Social, Legal, Economic, Political and Technological analysis) and PESTEL Analysis which (Analysis of Political, Economic, Social, Technological, Environmental and Legal factors). Within the broad general environment the next layer is an industry or a sector which contains of a group of competitors (Johnson, et al, 2007). The five forces competitive model developed by (Michael Porter,2008) can be used as an analytical tool for assessing competitiveness of the environment. The external environmental analysis is an important in identifying opportunities and threats while the Internal environmental analysis is crucial to understanding own capabilities and weaknesses. The resultant findings are categorized as organizational Strengths and Weaknesses and Opportunities and Threats.

SWOT analysis summarizes the critical issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development (Johnson, et al, 2007). SWOT helps in identifying an organization's core competencies like potential strengths and utilizing those in exploiting opportunities and counteracting threats as well as identifying weaknesses in order to reduce them (Ayub, et al, 2013). (Asghar, 2011) explains the essence of SWOT Analysis by arguing that it is crucial in coming up with a good strategy that matches with the firm's external and internal environment. Under SWOT approach the attempt is to establish what has to be done to maintain the satisfactory things and correct the faults by confirming that opportunities are exploited and threats are avoided (Hussey, 1998). Identifying strengths and weaknesses is difficult since characteristics that appear as one or the other may, on closer examination, has little or no significance for competitive advantage or disadvantage (Duncan et al, 1998). It also requires introspection, self-examination and a more systematic analysis (Duncan et.al, 1998). In order for a SWOT analysis to be useful it should be undertaken in comparison with that of competitors.

One of the most important tasks during strategy making is management of the interface among the many demands of an organization's different stakeholders in relation to its strategic goals (Ackermann & Eden 2011). (Bryson, 2007) also argues that attention to stakeholders is critical throughout the whole strategic management process. (Ackermann and Eden, 2011) contend that top management while crafting an organization's strategy seeks also to attend to the strategic management of stakeholders whether it wants to ensure the strategy's robustness and this could be done by way of stakeholder analysis. A stakeholder analysis involves identifying the major internal and external stakeholders, their concerns and interests as well as how these groups can be satisfied. (Bryson, 2007) argues that wise application of stakeholder analysis can help frame issues that are solvable in technically viable and politically acceptable ways. A basic stakeholder analysis involves identification of criteria and choices on how each stakeholder influences the organization and what they need in return (Bryson, 2007) with the result is ranking of each stakeholder according the level of importance to the firm. (Steyn, 2002) mentions the definition given by (Harrison and St John, 1998) that stakeholder analysis involves identifying and prioritizing main stakeholders, assessing their demands, collecting ideas from them, and integrating this knowledge into strategic management processes. Stakeholders can be categorized based on their stake in the organization's ownership, economic or social stake or their influence of formal, economic or political power (Steyn, 2002). Stakeholders are those individuals or groups who depend on a firm to fulfill their own goals and on whom, in turn, the organization depends. (Johnson et al, 2007), have direct interests in the organization and without whose direct involvement the company would have get hard in surviving (Alkhafaji, 2003), (Freeman & Reed, 1983) as cited by (Ackermann and Eden, 2011). (Asghar, 2011) uphold (Dewhurst and Fitzpatrick, 2005)'s definition of stakeholder as any individual or group that has the resources required to deliver an initiative successfully or that has a stake in the initiative and stand to win or lose something from the plan accordingly. Simply stated, they are groups or individuals affected by the firm that can affect it and could be stockholders, employees, management, key creditors, major consumers, key suppliers, etc. Stakeholder analysis should involve people with information that couldn't be gained otherwise. Information may be garnered through the application of interviews, questionnaires, focus groups or other techniques. (Ashgar, 2011) noted that stakeholder analysis is important to craft strategies that helps to meet their interest.

The job of a strategist is basically to understand and deal with competition. In order to create a strategy it is very significant to have enough knowledge about the competitors. (Porter, 2008) identified five major forces that shape an industry and his basic contention is that, a thorough analysis of the five competitive forces could help a firm in obtaining a complete picture of what is influencing profitability. One of these main five forces is rivalry among existing competitors. He states that rivalry among existing competitors influences profitability of an industry. Bargaining power of buyers, one of such forces, according to (Porter, 2008) can create more value by forcing down prices, requirement of better quality or more service and generally playing industry participant against one another. Buyers few in number, being large, and being able to switch easily to another supplier are identified by (Porter, 2008) as factors raising their bargaining power. Substitute products and services also pose a threat as they can limit the potential profit by defining a cap for the prices of existing services or products. Threat of new entrants is one component of the five forces which could bring new capacity and a desire to win market share that puts pressure on costs,prices, and the rate of investment necessary to compete. The power of customers is one of the key factors affecting competition. Customers can force business firms to down prices. An analysis of the five competitive forces is key to contemplate retaliation actions by showing approaches to redesign the forces in the firm's favor. A careful five forces analysis could reveal significant competitive threats. It indicates ways that can be used by the firm to attain competitive advantage over rivals. It is also crucial to rate overall attractiveness of the industry.

Actually, industry analysis also falls under environmental scanning. It is a sort of half-way house between SWOT analysis and strategy formulation as stated by (Hussey, 2006). Besides, (Hussey, 2006) further contends that it is another way of measuring the internal elements of the firm against what is going on in the wider world and is a way of looking at the associated power of all the players. So, the environmental research has direct impact on the formulation of strategies (Zafar et al, 2013). Effective environmental scanning must be carried out to successfully manage the external forces since environment influences organizational choices. (Roney, 2010) upholds (Drucker, 1969)'s assertion that continuous assessments of present and potential business environments and re- planning are necessary for long term success in an age of discontinuity.

#### *2.2.10.2 Strategy Formulation*

Strategy formulation is the process of developing long term plans to address effectively with environmental opportunities and threats. It starts when a leader attempts to change the thinking of people (Azhar et al, 2013). It incorporates decision as to how to allocate resources and which business to pursue. It comprises the articulation of a mission, vision and a set of long term objectives to be gained within the stated mission and selection of strategies (Kibicho, 2014) and (Baroto et al, 2014). Strategic planning is a key systematic, formalized approach to strategy formulation (Grant, 2003). (Scarf, 1991) as cited by (Alkhafaji, 2003) defines strategic planning as a management tool to consider the future and see tomorrow's opportunities or challenges to achieve competitive position.

(Haycock, Cheadle and Bluestone, 2012) define strategic planning as the key systematic and logical identification of strategies. For (Liedtka, 2006), strategic planning is an analytical process aimed at programming already identified strategies and directs to a strategic plan. (Salih and Doll, 2013) argue that employee engagement inspires a sense of ownership of the strategy and further develops organizational capabilities. Mission and vision statements have been overwhelmingly viable as an indispensable part of the strategic management process for organizations of all sectors (Phanuel and Darbi, 2012). The mission, vision and core values assists to describe why the organization exists and what values it holds as it progresses to its desired future condition. An organization also identifies goals to perform the mission, uphold the core values, and achieve the vision. A mission is a general expression of the entire purpose of the organization, which ideally, is in line with the values and anticipations of major stakeholders and concerned with the scope and boundaries of the firm (Johnson et al, 2007). (Alkhafaji, 2003) defines mission as a clear definition of the firm's business stating the overall strategy and the strengths the company has. Mission tells the international community who the organization is, what it does and why it is herewith (Neluheni, Pretoriu and Ukpere, 2014). It describes the organization's identity, market, product, and the particular methodology or technology of emphasis, size of the firm, what it hopes to achieve, the scope of endeavor and number and diversity of the firm's businesses, markets, and customers (Alkhafaji, 2003).

Mission should include who the company is, what it wants to accomplish, the type of commitments it gives to customers and employees (Alkhafaji, 2003). It must be, written in a positive tone, reliable, relevant, and able to set the company apart from its competitors and energize all employees toward executing the mission. Some of the important elements of the mission are the corporation's philosophy, goals and objectives, as well as its basic ambitions, values, and beliefs. Mission must be carefully worded with the participation of all members of the firm to provide proper direction. It should also embody the values of the firm to which members should always comply with, describe the business domain and illustrate why it is attractive, philosophy and commitment, include a clear, concise expression of the company's purpose,be easy to read and understand. (Niven, 2006), identify key stakeholders and states the firm's commitment to meet these stakeholders needs (Mullane, 2002), illustrate overriding aim or reason for being established (Mullane, 2002), reflect the basic beliefs, tenets, philosophies, principles, values and aspirations of the organization, define firm’s customers (Raynor, 1998), show the organizations scope and boundaries in terms of markets, products, and geography, long term (Niven, 2006), depict the firm’s commitment to financial and economic objectives (pearce, 1982) & (Kaplan and Norton, 1996), show the firm’s commitment to long term survival and growth, reflect the firm’s identity to distinctive capabilities and basis for competitive advantage and show how the firm aims to create value for stakeholders including shareholders, employees and customers.

Values are the timeless principles that represent the deeply held customs within the organization and are demonstrated through the up to date behaviors of all employees (Niven, 2006). BSC can be applied as a tool to communicate your values, review them over time from top to bottom in the firm (Niven, 2006). Core values define the guiding principles or tenets by which a company would like to manage and are intended to help shape attitudes, beliefs, and ultimately, the culture of the firm (Adams, 2005: 26). Vision is a statement that defines where an organization wants to reach in the future and is crafted based on the mission and values (Niven, 2006). (Azhar et al, 2013) define vision as the hub of the firm and the heart of strategic management process. It is an expression of the longer term objectives and values of the firm, in a way that shows what the company is trying to achieve (Hussey, 2006). Vision is the bold and noble direction the firm which is about to pursue (Neluheni et al, 2014). It includes a clear, compelling description of the firm as it performs its mission at some point in the future (Adams, 2005: 26). Vision describes a picture of a relatively long-term future. For (Nutt, 2006) vision can provide direction, create the enthusiasm, create focus, produce clarity about what is wanted, and direct human action. It assists to clarify the direction of the organization.

Vision should; be simple and easy so that everyone can easily understand (Nutt, 2006), be challenging but yet workable enough to arouse employees (Phanuel and Darbi, 2012), be inspirational in order to stir people’s blood to an extent that they would never like to fall asleep when thinking about it (Neluheni et al, 2014), include core values and core ideologies that differentiate one organization from another (Hussey, 1998) & (Mintzberg and Quinn, 1996), create possibilities that are creative, vibrant, unique and offer a new order (Nutt, 2006), be value centered incorporating the interests of main stakeholders, contain a concrete picture of the required state, provide the basis for formulating strategies and objectives, appeal to all firm's stakeholders, show the desired scope of business works, be concise, be verifiable, be viable, be future casting and be purpose driven in an approach in which employees will have sense of belongingness towards the organization.

(Alkhafaji, 2003) states that a firm's mission must be turned into objectives and goals. (Johnson, et al, 2007) define goal as the common statement of aim and objectives as precise statements derived from the goals. Goals and objectives both point to a desired result (Nutt, 2006). Goals are the foundation for an effective plan that drives beyond paper to action. Goals are driven by the mission statement (Alkhafaji, 2003). An effective goal should; guide how the firm operates, inform business exit decisions, indicate which opportunities to pursue, tie measures to drivers of success, provide a verified path to the achievement of a firms strategy, track the past, the present and the future, be simplified, take stakeholders into account, be changed when the organization's strategy changes, support the mission, represent a desired result that can be achieved, deal with just one issue, and encompass a relatively longer period.

Objectives are the ends or the desired results depicting smaller targets that are important to achieve the long-term objectives and providing direction and motivation. Objectives must; relate directly to the goal (Mullane, 2002), concise, be clear, and understandable (Phanuel and Darbi, 2012), be measurable and stated in terms of results (Phanuel and Darbi, 2012) as well as (Kaplan & Norton, 1996), begin with an action verb, specify a date for success (Mullane, 2002), be cascaded from goals, fulfill the SMART criteria which are (Specific, Measurable, Attainable, Realistic and Timely), reflect the specific desired achievements, be aggressive and challenging (Kaplan and Norton, 1996), but yet are realistic and achievable, define a result rather than an activity and have a time frame.

Components: Objectives, Business level, Corporate level, and Functional level Tools used: Scenario Planning, Boston Consulting Group Matrix, SPACE Matrix, GE-McKinsey

Matrix, Bowman's Strategy Clock, Porter's Generic Strategies, Porter's Diamond, Game Theory, as well as QSP Matrix.

Successful situation analysis is followed by the creation of entire long-term objectives. Long-term objectives indicate goals that could promote the company's competitive position in the long run. They act as directions for specific strategy choice. In an organization, strategies are selected at three different levels:

- Corporate level strategy. At this stage, executives at top parent companies choose which products to sell, which market to enter and if they can acquire a competitor or merge with it. They select between integration, diversification, intensive, and defensive strategies.

- Business level strategy. This type of strategy is used when strategic business units (SBU), divisions or small and medium firms select strategies for only one product that is sold in only one market. The instance of business level strategy is well illustrated by Royal Enfield firms. They sell their entire Bullet motorcycle (one product) in United Kingdom and India (various markets) but focus on various market segments and sell at very various prices (different strategies). Firms may choose between Porter's 3 generic strategies which are cost leadership, differentiation and focus strategies. Alternatively strategies from Bowman's strategy clock can be chosen (Johnson, Scholes, & Whittington, 1989)

- Functional level strategies are the actions and goals assigned to different departments that support your business level strategy and corporate level strategy. These strategies specify the outcomes you need to see achieved from the daily operations of specific departments (or functions) of your business firm.

Managers may choose between many strategic alternatives that depends on a the firm's objectives, results of situation analysis and the stage for which the strategy is selected.

#### *2.2.10.3 Strategy Implementation*

Strategic implementation has to do with making strategy done or making sure that created and planned strategies actually work in practice (Johnson et al, 2008). Implementation entails transforming the chosen strategies into action and includes the methods and techniques applied to execute strategy. (Krassnig, James and Ribière, 2011) define strategy implementation as all measures, processes and activities dedicated to integrate a newly developed strategy into an existing business firm. For them strategy implementation is a crucial process that aims to provide the strategy to life. Implementation includes the arrangement of tasks and responsibilities to the individuals or groups in the firm (Alkhafaji, 2003). It involves transforming the chosen strategies into action and methods and techniques in which the organization adopts to execute management's chosen strategy. (Zafar et al, 2013) define strategy implementation as the process of making the strategy work as arranged or putting the chosen strategy into action. It includes designing the firm's structure, developing decision making process, distributing resources, and managing human resources. As a process of putting the strategy into action, it involves getting individuals and firm's subunits to go all out in executing their part of the strategic plan successfully (Nedelea and Paun, 2009). For (Azhar et al, 2013) the process in which planned strategies are converted into real actions is known implementation. Strategy implementation is the dynamic activity within strategic management process in which policies and strategies are put into action (Sorooshian, Norzima, Yusof and Rosnah, 2010).

Strategy implementation includes the sum of all activities for putting the strategic plans into action and is a critical cornerstone and an ally in building a capable firm(Smith, 2011). sans effective implementation, no business strategy can succeed (Andersen and Lie, 2013). With the same notion (Sterling, 2003) states that effective implementation of an average strategy beats mediocre implementation of a great strategy any time. (Njagi and Kombo, 2014) argue that execution is critical to success; sans a carefully and well-planned approach to execution, strategic goals cannot be achieved. Formulated strategies are nothing if they could not be implemented effectively and efficiently (Azhar, et al, 2013). (Waweru, 2011) in describing the essence of implementation upholds

(Argyris's, 1989) stance that success or failure of strategies are linked, to a great deal of measure to how they are implemented. He further states that poor implementation can make even sound strategic choices ineffective, while successful implementation can make a doubtful strategic decision successful. Ability to implement strategy is the deciding factor between success and failure of a strategy in any firm (Kibicho, 2014). sans proper implementation, even the most superior and definite strategy would not make the grade as established (Kibicho, 2014). Well formulated strategies only produce superior performance outcome for the firm when they are successfully implemented (Mbaka and Mugambi, 2014). A strategy can only add value to the firm if it is successfully implemented (Smith, 2011).

Strategy implementation or the action stage of strategic management, as per (Kaplan and Norton, 1996) requires a firm to establish annual objectives, develop a strategy supportive culture, prepare budgets that are strategy supportive, create an effective organizational structure, develop and utilize information system, motivate employees and allocate resources, and devise policies to guide decision making so that formulated strategies can be executed. Organizational structure refers to communication processes, authority work flow, and responsibility relationships (Alkhafaji, 2003). (Kayale, 2012) defines structure as all the people, procedures, processes, positions, culture, technology and related elements that comprise the organization and how all these acts together. (Kayale, 2012) asserts that structure must be entirely integrated with strategy for the firm to achieve its mission and goals. (Alkhafaji, 2003) defines organizational culture as the collection of expectations, beliefs, and values shared by firm's members and transmitted from one generation to the next. The corporate culture must assist the strategic plan and effective strategy execution needs communicating, translating the vision, and linking the business planning, feedback learning and leadership.

The success of strategy depends on components human capital that embrace competencies as well as capabilities, budget and accountability with rewards (Neluheni et al, 2014). Lower-level managers as active players in the implementation process and should determine what is required to achieve successful strategy implementation in order to guide the implementation process in their individual areas of responsibility. Execution cannot succeed unless the strategy itself is designed to be workable (Kibicho, 2014). This can be done by breaking long-term corporate objectives to operational short-term objectives as well as developing specific functional, unit or departmental strategies by drawing action plans to accomplish the objectives. Successful strategy implementation depends on working through others, organizing, culture-building, motivating and creating strong fits between strategy and how the firm does things (Musyoka, 2011). Managers must decide what internal conditions are needed to execute the strategic plan successfully (Njagi and Kombo, 2014). It involves delicate and sensitive issues like resource mobilization, restructuring, technological changes, process changes, cultural changes, policy and leadership changes (Lihalo, 2013). Support and commitment by the majority number of employees and middle management is identified by (Mbaka et al, 2014) and (Niven, 2006) as a necessary component of successful strategic implementation. Everyone should understand the need for change and should contribute their effort to efficiently implement the strategies subsequently (Azhar, et.al. 2013).

Strategy implementation fully depends upon efficient decision making choices (Azhar et al, 2013). Cooperation of all stakeholders, collaboration of various departments and coordination of implementation tasks independently and in conjunction with each other are instrumental in making the goals of strategic plan to achieve (Asghar, 2011). Effective communication that explains the new responsibilities, duties and tasks plays a key role in implementation (Mbaka and Mugambi, 2014). Management should ensure that every staff member understands the strategic the strategic themes, vision, and what their role will be in delivering the strategic vision.

At this level managerial skills are more important than using analysis together with Communication in strategy implementation is essential as new strategies must get support all over the firm for effective implementation. The example of the strategy implementation that is used here is referred from (David’s, 2013), on implementation. It consists of the following 6 steps:

- Setting the annual objectives;

- Revising policies to achieve the objectives;
- Allocating resources to strategically major areas;
- Changing firm’s structure to meet new strategy;
- Managing resistance to change; and
- Introducing new reward system for performance results if necessary.

The first point in strategy implementation is setting annual objectives for the firm’s functional areas. These smaller objectives are specifically designed to meet operations, financial, marketing, human resources and other functional goals. To achieve these goals, managers revise existing policies and introduce new ones which act as the new directions for successful objectives implementation.

The other very essential part of strategy implementation is changing an organizational chart. For instance, a product diversification strategy may need new SBU to be incorporated into the existing firm’s chart. Or market development strategy may require an additional division to be added to the firm. Every new strategy changes the organizational structure and seeks reallocation of resources. It also redistributes responsibilities and powers among the managers. So, the managers may be moved from one functional area to another or may be asked to manage a new team. This creates resistance to change, which has to be managed in an effective way so as not to ruin excellent strategy implementation.

#### *2.2.10.4 Monitoring and Evaluation of Strategy*

(Alkhafaji, 2003) defines evaluation and control as the step succeeding implementation and involves monitoring the organization’s performance to ensure that the chosen strategy achieves the desired objectives substantially. This final step of the strategic management process includes analysis of the impact of internal and external factors on present strategies, measuring performance, and taking remedial or corrective actions. It is a tool to ensure effective and efficient implementation of the process (Zafar et al, 2013).

Strategic control entails monitoring the extent to which the strategy is meeting the objectives and suggesting corrective action or a reconsideration of the objectives (Johnson et al, 2007). he Further assert that control is the monitoring of action steps to assess the effectiveness of strategies and actions made so far. It is an essential function for validating the success or failure of a strategy laid down. It is undertaken with the aim of ensuring the achievement of the firm's objectives. Evaluation is undertaken by evaluating performance in exactly the light of the strategic plan. The aim is to decide if the selected strategies are implemented successfully, the resources that have been applied and widely set objectives are achieved. Monitoring is the internal management process, by which a systematic information about the plan implementation is collected and analyzed, with a view to identifying strengths and weaknesses and formulating practical proposals for taking the required action in order to reach the planned results (IIEP, 2010).

There are several methods of control like strategic, management, financial, operational and performance. Budget is one of the most commonly used ways of controlling strategy implementation. It refers to the process of identifying, collecting, summarizing, and communicating financial and nonfinancial information about the firm's future activities. It provides managers with the opportunity to carefully match the goals of the firm with the resources required to accomplish those goals. In such cases actual performance will be compared to the standards and It can also be performed by comparing the amount of money actually spent to that of the budgeted (Alkhafaji, 2003). Balanced Scorecard, developed by (Kaplan and Norton in 1997) and (Krassnig et al, 2011), is also one of the most frequently used performance measurement systems. Management should put in place with proper tools for monitoring the implementation of strategies as well as the standards in light of which performance is evaluated are also clear and well defined.

#### 2.2.11 Challenges in strategy management

(Hussey, 1998) and (Abdulwahid, Muhamad and Sehar, 2013) identified problems in strategic management as lack of acceptance by the management, failure to use the plan, confusion about corporate planning and its meaning, over sophistication of the plans, conflicting goals and priorities, , confusion about corporate planning and its meaning, lack of team management, confusion about corporate planning and its meaning, ineffective operational arrangement, lack of support from the top level, divergent organizational structure, unclear target of success, non-acceptor organizational culture, as well as lack of commitment of decision makers and ambiguous strategy. Thus, these factors hinder successful implementation of strategies. Inaccurate and poorly stated information about change is also one of the constraints (Salih& Doll, 2013). Strategies fail due to unexpected market changes, lack of senior management (CEO) support, lack of effective monitoring and application of insufficient resources, in adequate buy in to or understanding of the strategy among those who seek to implement it (Sterling, 2003). Strategic drift which refers to the condition where strategies progressively fail to deal with the strategic position of the organization is one of the challenges in strategic management and leads to deterioration of performance (Johnson et al, 2007). (Adams, 2005) identified out of date firm's strategies and the probability that organizational strategies couldn't be detailed as problems. Failure to frequently update the strategic plan irrespective of changes in both the internal and external environment has the power of creating the plan irrelevant (Adams, 2005). The same goes to failure to adequately look external events affecting the organization's strategy.

(Lihalo, 2013) carried out a study to examine the three categories of barriers to strategy implementation faced by mid-sized firms. He identified internal challenges in strategy implementation as behavior resistance to change; in effective systems (structure, culture, leadership); poor communication of the organization strategy; insufficient human, physical and financial resources and lack of proper training and instruction to employees. The external barriers were found to be business macro factors in the operating environment which includes factors such as stiff competition and unexpected new substitute or competing products.

The problems that cause strategic plans to fail are categorized by literature into the strategy planning process, a quality strategy, implementation of the strategy, as well as the organizational structure and climate (Neluheni, 2014). (Sihab, Ridwan and Marti,

2012) uphold (Rudd, Greenley and Beatson, 2008) contention that strategic management usually fails due to problems or barriers came across at the implementation stage.

Strategy implementation failures can be as a result of unfeasibility of the strategy, unworthiness, weak management or a misunderstanding of strategy, unaligned organization systems and resources, uncontrolled environment factors, poor coordination, linking performance and pay to strategies and resistance to change within the firm (Kibicho, 2014).

### 2.2.12 Measurement of Organizational Performance

As the matter of the fact, Performance assessment is commonly met in a number of activities and processes related to engineering, health, economics, and so on. Its definition in this context is direct, in that performance essentially refers to how successfully a work, system or operation functions. From this perspective, performance measurement is a task required for assessing and promoting characteristics and operations of a system, process, or infrastructure. A comprehensive description of performance measurement is offered by the US Federal highway Administration (Shaw, 2003) Performance measurement is a process of assessing progress toward meeting predetermined goals, including information on the efficiency with which resources are transformed into services and goods, the quality of those outputs like how well they are delivered to customers and the extent to which clients are satisfied as well as outcomes are the results of a project activity compared to its intended purpose as well a the effectiveness of government operations in terms of their specific contributions to project objectives. In the business sector performance can be measured from a number of different perspectives and for a number of reasons (Haas et al, 2009). For instance, to assess current and future conditions of business performances, to evaluate business bureaus' efficiency with respect to provided services, productivity, cost-effectiveness, protection of the environment and so on. Indeed, the business sector involves a number of different stakeholders, often with contradicting interests and anticipations. These lead to the need for assessing and measuring various dimensions of performance in this sector.

#### *2.2.12.1 Balanced Scorecard*

Balanced scorecard is a new approach to strategic management which was developed in the early 1990s by (Hatch and Desroches, 2008) upheld by (Horngren, Datar and Foster's , 2005) definition of BSC as a framework for implementing strategy that translates an firm's mission and strategy into a set of performance measures. (Cobbold and Lawri, 2002) also propose BSC as a basis for strategic management system that can also be associated with communication and articulation of strategy at operational levels (Shulver and Antarkar, 1997). It is also a management system that enables firms to clarify their vision & strategy and translate them into action. As a performance management system it help an organization to translate its vision and strategy into objectives and measurements (Lawson et al, 2008). Generally speaking, BSC is measurement system, a communication tool, and strategic management system.

According to (Niven, 2006), BSC provides the framework for a firm to move from deciding to live its strategy to doing it because it is crucial in translating mission into concrete objectives that align all employees. BSC as a strategic management tool that enables to measure, monitor, and communicate strategic plans and goals throughout the firm in a way that is understood by everyone (Lawson et al, 2008). It enables the monitoring of current performance and tries to capture information about how well the firm will perform in the future. BSC can be applied to monitor and report strategy implementation. The overall strategy is articulated, appropriate KPIs are chosen, and targets are set before results can be measured and scores applied for control purposes (Lawson et al, 2008).

BSC measures firm's performance in terms of four balanced perspectives: financial, internal business process, customer, as well as learning and growth (Kaplan & Norton, 1996). BSC is ideally created through a shared understanding and translation of the firm's strategy into objectives, targets, measures, and initiatives in each of the four Scorecard perspectives. Under customer perspective the focal point is identifying target customers and their anticipation. It includes measures with direct outcome on customers as well as In the Internal Process perspective of the Scorecard. In the main processes, the firm must excel are identified to continue adding value for the customers and shareholders. It includes measures reflecting the main business processes. Learning and Growth perspective refers to the foundation upon which BSC is constructed. Employee skills, availability of information, employee satisfaction, and alignment could all have a place in this perspective. (Niven, 2006). Also, Financial perspective includes measures reflecting financial performance.

The main goals of BSC are to align business activities with the vision and strategy of the firm, improve internal and external communications, and monitor firm's performance against strategic goals (Ak and Öztayşi, 2007). BSC provides executives with a comprehensive framework that translates a firm's vision and strategy into a coherent set of performance measures (Norton & Kaplan, 1996). The success of BSC besides other factors depends on a supportive firm's environment. This is reflected by buy-in from the top-level management, articulation and communication of the firm's strategy and the reasons for implementing the scorecard, the existence of employees that accept and use the system, alignment of human capital to the strategy, use of feedback to understand the progress and make changes where required, suitable automation. An eventual link to compensation and reward systems, application of consultants appropriately, realize the benefits and having in place a system that is pervasive as well as provision of adequate time to implement. Thus, it is comprehensive that Operational control and strategy management are the two key reasons for implementing BSC.

#### *2.2.12.2 Financial Measures*

Financial measures of performance relate to firm's effectiveness and profits which include financial ratios such as return on assets, return on equity, and return on investment. other common financial measures include stock price and profits. Such measures enables to answer the key question "How do we consider to shareholders?" Such measures have long been of interest to senior leaders and investors (Vandersted, 2006).

Financial performance measures are commonly articulated and emphasized within an firm's annual report to shareholders. To provide context, such measures ought to be objective and be coupled with meaningful referents, such as the organizational past performance. For example, (Starbucks's, 2009) stating annual report highlights the firm's performance in terms of operating income, net revenue, and cash flow over a five-year period.

### *2.2.12.3 Customer Measures*

Customer measures of performance involves to customer attraction, satisfaction, and retention. These measures provide insight to the main question "How do customers considered us?" instances might be taken as the number of new customers and the percentage of repeating customers.

(Starbucks, 2009) realizes the importance of repeat customers and has undertaken a number of steps to satisfy and to attract regular customers to their stores. For example, Starbucks rewards regular customers with free drinks and provides all customers free Wi-Fi access and he also encourages repeat visits by offering cards with codes for free iTunes downloads. The featured songs change regularly, inspiring frequent repeat visits.

### *2.2.12.4 Internal Business Process Measures*

Internal business process measures of performance relate to firm's efficiency. These measures enables to answer the key question "What should we excel at?" Examples include the period it takes to manufacture the firm's good or deliver a service. The time it takes to create a new product and bring it to market is another instance of this type of measure.

Organizations such as Starbuck's firm realize the importance of such efficiency measures for the long- term success of its firm, and Starbucks carefully examines its processes with the goal of reducing order fulfillment time. In one recent example, Starbucks efficiency experts challenged their staffs to assemble a Mr. Potato Head to get how work could be done more rapidly. The aim of this exercise was to enable Starbucks employees in general match the speed of the firm's high performers, who boast an average time per order with in twenty-five seconds.

One main aspect for organizations producing physical goods (as compared to its services) are supply- chain management indicators. Both Walmart and GM are instances of the increased profits that can result from effective management of the supply chain through initiatives such as “just-in- the time”’ supply-chain management. Of course, to minimize supply inventory, information must be both timely and accurate (or else you run out of main parts and the production line stops.). In the 1990s (pre- Internet) Walmart obtained their own satellite system that allowed them to gather sales by item and ordered replacement to restock their shelves with in every eight hours, while GM kept only enough tires with in four hours of car assembly at any one time!

#### *2.2.12.5 Learning and Growth Measures*

Learning and growth measures of performance relate to the future of the firm and Such measures provide insight to tell the organization, “Can we continue to improve and create the required value?” Learning and growth measures concentrates innovation and proceed with an understanding that strategies change over time accordingly (mikula, 2020). Consequently, developing new ways to add value will be needed as the firm continues to adapt to an evolving environment. An example of a learning and growth measure is the number of new skills learned by the firm’s employees every year.

One way Starbucks encourages its employees to learn skills that may gain both the firm and individuals in the future is through its tuition reimbursement project. Employees who have worked with Starbucks in their firms for more than a year are eligible. Starbucks hopes that the knowledge acquired while earning a college degree might contribute employees with the skills needed to develop innovations that will benefit the firm in the future. Another benefit of this program is that it enables Starbucks reward and retain high-achieving employees.

## 2.3 Empirical Literature review

According to (Johnson et al, 2015), addressed on the strategic planning and environmental scanning. He revealed lack of formal continuous environmental scanning by both formal and informal planning chains as well as a significant number of similarities in terms of the scanning methods in which this research contribution of performance evaluation to the implementation of strategies in Action for effectiveness and in efficient approach. The topic however encompasses the effectiveness of the strategic management process only.

The literature concerned about the study of strategic planning and environmental scanning in the multiunit Portuguese hotel sector' by (Costa, 1997) which addresses the strategic planning and environmental scanning activities of the hotel chains operating in his country clarified and its findings reveal lacking of formal continuous environmental scanning with the informal planning chains and a significant number of similarities in terms of the scanning methods and sources applied by the case study of the organizations.

Based (Dess and Robinson,1984) model about the firm's performance success, their argument lacks the steps of the firm's improvement stated by (Dublino,2013) like:

- **Strategy and mission:** Changes in strategy and mission are frequently challenging to map. However, business owners should continually monitor how well or if their firm is meeting its mission. If necessary, you must be prepared to change the strategies.

- **Organizational structure:** Organizational structure concerns the roles, objectives and responsibilities of individuals, groups, and departments. Structures can change; some are relatively minor while some, such as acquisitions and mergers, are considered extreme and intense.
- **People:** individual-related organizational improvements can include training, turnover, hiring, and other changes beneficial for the organization.
- **Knowledge:** Changes and improvements to an organization's knowledge are the main for processes, progress and initiatives.
- **Process:** How you do things can mainly impact productivity. How easily can your team achieve fundamental tasks? Instituting intuitive, efficient and communicative processes that will get products out the door quicker, minimize errors and reduce employee frustration.

On the other way, the Literature which support the notion that central to a firm's performance posture are the organisation's ability to be proactive, innovative and risk-taking behaviour which are all potentially affected by strategic management practices that are required by individual firms (Hitt et al, 2001) , (Kuratko et al, 2009), (Lumpkin and Dess, 2001). However, in spite of this widely acknowledged relationship between strategy and the organization, there still is a noticeable dearth of studies that specifically combine strategic management in firm's aspects for examining sustainable performance, achieving competitive advantage and wealth creation (Entrialgo et al, 2000)

Local researches on strategic management include an assessment of strategic management practices of Action for Development by (Addisie, 2015). The outcome indicated that action for development has major drawbacks in the areas of effectively communicating the strategic plan to involving stakeholders. The researcher recommended that Action for development should effectively communicate the strategic plan to the involving stakeholders to ensure the same level of understanding, find sustainable sources of finance to enable the implementation of strategies and should work on capacity development of its staffs. The research by (Addisie, 2015), unlike its topic, focuses on some aspects of the strategic management process namely the grade of stakeholder participation, the grade of communication and the contribution of performance evaluation to the implementation of strategies at work for Development. The topic however encompasses all aspects of the strategic management process substantially.

A detailed appraisal of the study of Ethiopian and its business firms, as well as its concise economic condition, the state of Business firms in Ethiopia and its challenges with prospects of the business firms in relation to other nations in Africa and the developed world are as Ethiopia is Africa's second most populous country and along its largest economy which is a mixed and transition economy including a large public sector furthering the government of Ethiopia is in the process of privatizing several state-owned business firms and moving toward a market economy (sanchez, 2017).

It was in evitable that the banking, telecommunication and transportation sectors of the economy are dominated by government owned firms (mansho and Aaron, 2015). And the country has one of the fastest-growing economies in the world including being Africa's second most populous country (IFC, 2012), Many properties owned by the government during the previous regime have now in the other approach been privatized or are in the process of privatization along side the liberalization of its financial sector in the near future (Reuters, 2012). However, certain sectors such as air and land transportation services, telecommunication, financial and insurance services, and retail, are considered as strategic sectors and are anticipated to remain under state control for the foreseeable future. Almost half of Ethiopia's population is under the age of 18 Even though education enrolment at primary and tertiary level has improved significantly, job creation has not caught up with the improved output from educational institutes. The country ought to create hundreds of thousands of jobs every year just to keep up with the population growth significantly (the economist, 2017).

The constraints faced in effective implementation of strategic plans in non-governmental organizations in Africa ; this research study produced tests that proved there is a high significance between implementation of strategic plans and management styles that can pose a major challenge in the implementation of strategic plans the NGOs in Africa.In order for strategy implementation to achieve, the strategic plans need to be endorsed by their leaders this act alone makes the followers to conduct extensively regardless of what they are required to do. The results revealed that greater constraints to strategy execution in the forms of inadequate management skills, lack of ownership of a strategy or the steps of implementation among key employees and employee's reluctance to share their knowledge have a negative impact on performance. The most managerial problems have physical, social, psychological, and economic aspects. The ownership and involvement of the top management extends beyond strategic planning phase and include actual implementation process by which the planned strategies are actualized. This enables the management team's complete ability to work together for a common goal and also to tap into the individual leadership skills of these team managers. (Mutunga, 2017)

## 2.4 Conceptual Framework

In accordance to the literature reviewed, the conceptual framework has underlined a number of factors that define and illustrated with examples the strategy management process on the Ethiopian Business firm's performance. With this in purview, a conceptual model has been developed based on the reviews of previous knowledge made by the researchers to discuss the interrelationships among the variables deemed integral parts of the strategic management process and hence, The overall strategic management process as an independent variable and the firm's performances as dependent falling under each component are depicted as follow.

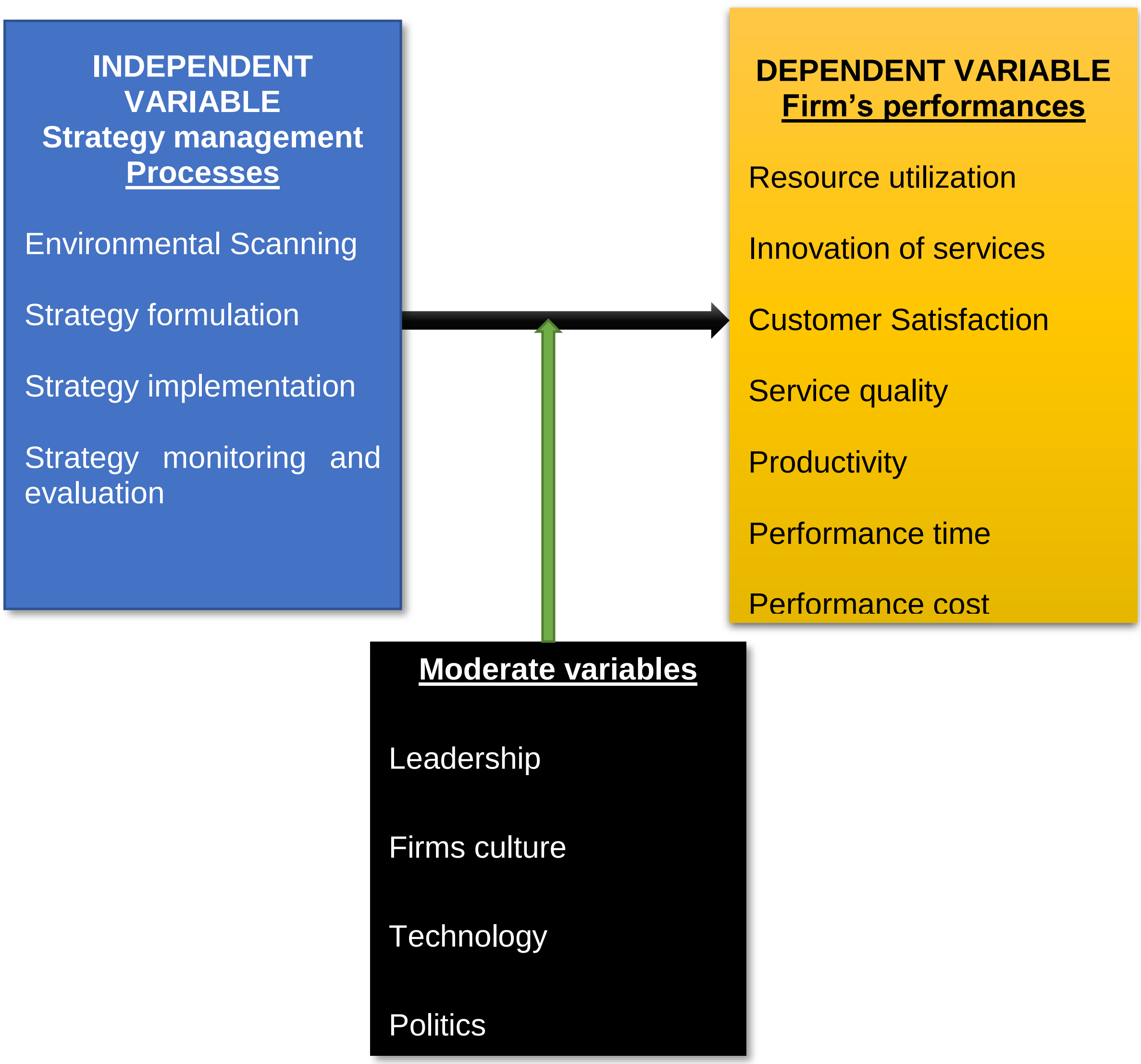



Figure 3- conceptual framework

# Chapter Three – Research Methodology

## 3.1 Introduction

In consonance with (Dawson, 2019), a research methodology is the first principle that will guide one's research, a research methodology illustrates the techniques and procedures applied to identify and analyze information regarding a specific research topic. It is a process by which researchers design their own study in order to achieve their objectives using the selected research instruments. It includes all the significant aspects of research, including research design and approach, data collecting methods, data analyzing methods, and the overall framework within which the research is conducted. While these points can assist you understand what is the research methodology, you also need to know why it is significant to pick the right methodology.

The research methodology helps other researchers who may want to replicate your research; You can easily answer any questions about your research if they arise at a later stage; the explanations will be of benefit to them; provides a framework and guidelines for researchers to clearly define research questions, hypotheses, and objectives; A sound research methodology helps researchers ensure that their findings are valid and reliable and free from biases and errors; It helps researchers identify the most appropriate research design, sampling technique, and data collection and analysis methods; It also helps ensure that ethical guidelines are followed while conducting research; A good research methodology helps researchers in planning their research efficiently, by ensuring optimum usage of their time and resources (Sreekumar,2023).

The purpose of this chapter is to illustrated in detail the research methods and the methodology adopted for this research. It details the methods intended for data collection, research design and approach, and analysis. These chapter also discusses the methodological paradigm and the pragmatist research methodology that guide the study. Because the validity and reliability of the research results generally depend on the research quality of data collected and analysed, a well-thought-out methodology section thus underpins the success of a dissertation. Hence, this chapter includes a number of sections.

There has been much argument over a long period about the best approach to research in the social sciences, especially in the field of business administration attentively. This is as a result of the evolution of different approaches to research methodology outside the earlier established qualitative and quantitative approaches, like the embrace of the mixed methods, mixed qualitative leaning approaches among others and mixed quantitative leaning.

However, there has been a general consensus among researchers that the choice of appropriate methodology would often depend on factors such as the variables involved, the nature of the research and the anticipated nature of the collected data. Therefore, the chosen research methodology can be viewed as a trade-off among the choices wherein the selection of choice associates more often than not on the resources available to the researcher, aims and objectives of the research and the nature of the subject matter in the research question.

## 3.2 Data Collection Procedures

### 3.2.1 Description of variables

In essence, “Variable” is a term usually used in research projects. It is important to define and identify the variables while designing quantitative research projects. A variable states excitement in any research than constants. It is thus a critical for beginners in research to have clarity about this term and the related concepts (Kaur, 2013). In other words, it is any kind of attribute or characteristic that you are attempting to measure, control and manipulate in statistics and research. All researches analyze a variable, which can describe a person, thing, place, or idea. A variable's value can change among groups or over time the dependent variables of these research are innovation services, Customer Satisfaction, innovation quality, productivity, performance time, and performance cost while the independent variables of this study are Environmental scanning, strategy formulation, strategy implementation, as well as strategy evaluation and control.

Mathematically: Model1: - the role of strategy management on Business firm's performances

BPO= g (SM) = g (SM1, SM2, SM3, SM4)

Where: -

BPO= Business firm's performance outcome

SM = Strategic Management

SM1 = Environmental scanning

SM2 = Strategic Formulation

SM3 = Strategic Implementation

SM4 = Strategic Evaluation and Monitoring

Model 1a: - Impacts of Strategic management processes on innovation of services of the firm's Business performances.

BPO1 = g1 (SM) = g1 (SM1, SM2, SM3, SM4)

Model 1b: - Impacts of Strategic management processes on service quality of the firm's Business performances.

BPO2 = g2 (SM) = g2 (SM1, SM2, SM3, SM4)

Model 1c: - Impacts of Strategic management processes on productivity of the firm's Business performances.

BPO3 = g3 (SM) = g3 (SM1, SM2, SM3, SM4)

Model 1d: - Impacts of Strategic management processes on performance time of the firm's Business performances.

BPO4 = g4 (SM) = g4 (SM1, SM2, SM3, SM4)

Whereas: - SM= Strategic Management

BPO1= Business performance outcome factor 1(service innovation)

BPO2 = Business performance outcome factor 2 (service quality)

BPO3 = Business performance outcome factor 3 (productivity)

BPO4 = Business performance outcome factor 4 (Performance time)

BPO5 = Business performance outcome factor 5 (performance cost)

The above described model analyzes the effects of strategic management process on the Business firm's performance outcome. This model is used to test hypothesis which predicts the relationship between strategic management processes and Business firm's performance.

### 3.2.2 Validity of Research instruments

The validity of a research study refers to how well the results among the study respondent represent true findings among similar individuals outside the research. This concept of validity uses to entire types of clinical studies, including those about prevalence, interventions, associations, and diagnosis (Watson, 2009). Likewise, Validity is described as the degree to which findings from the analysis of collected data essentially represent the phenomenon under study (Mugenda, 2005). To evaluate the content validity, the researcher consulted professionals who included the supervisor to support suggestions on content. The researcher also contacted some of the colleagues in the PhD research works of other universities for their comments. Their recommendations were useful in the improvement of the final questionnaires. Pretesting was done in 15 business firms, which did not take part in the study to avoid bias for getting interacted with the questionnaire.

### 3.2.3 Reliability of Research instrument

Reliability in the research study is a concept stating how reproducible or replicable a research study is. In general, if a research study been repeated and the same results are obtained, then the study is understood dramatically reliable. A research studies can be reliable across time as well as reliable across samples as mentioned by (Carroll, 2023). In addition to that, Research instrument reliability is its degree of internal consistency over time (Mwituria, 2012). A reliable instrument is thus the one that contributes usually the anticipated outcome/result when applied more than one occasion in the collection of data from two or more samples drawn from the same population accordingly. The suitability of the questionnaire was checked by applying the well-known Cronbach's alpha. A Score 0.91 in the study's threshold, which according to (Hair,1998) an overall scale of above 0.7 is acceptable.

In general, the objectives of carrying out the questionnaires are to obtain whether all the Strategic management processes are performed in the Business firms and to assess the relationship between strategic management processes and Business firm's performance outcomes. The typical survey questions required for answers are as follows;

- Liker Scales including strongly disagree, disagree, normal, agree, strongly agree.
- Brief answers for the firm's information
- Nominal scale such as Yes or No

## 3.3 Types and Source of Data

Primary data is collected directly by the researcher, such as interviews and surveys. While secondary data is easily obtainable in websites, journals, books, etc (Ajayi, 2017). The research's methods adopted the strategies, tools, techniques or the process necessary to employ in the collection of data or evidence for analysis so as to expose new information or establish better understanding of a topic. Comprehensive literature reviews were conducted about the concept of ; strategic management, strategic management theoretical frameworks, strategic management practices, school of thoughts on strategic management etc. As per the case of my literature review/survey /, in order to study and analyze the role of strategic management on the business firms' performances, data collection has been conducted through out both primary and secondary sources and was gathered by using a well-structured questionnaire, business report document analysis, and review of the existing study which additionally the research works was accompanied.

## 3.4 Method of Data Collection

Some common data collection methods include interviews, observations, surveys, focus groups, experiments, and secondary data analysis. The data collected through these methods can then be analyzed and applied to support or refute research hypotheses and draw conclusions about the research's subject matter (Zhang, 2021). So, Survey questions for weighing strategic management activities for the building business performances, in which the the association between strategic management processes and the firm's business achievements factors of the selected existing business firms in the the Ethiopian business sectors was carried out. Valuable questionnaires which are ethically arranged and which is valid that can also answer the research questions was prepared.

The questionnaire was settled considering the above comments under the guidance of the supervisor. In addition, the source and area of focus was business managers, business consultant experts and other related firm's business staffs whom are available in the task. In addition, Secondary data was included by referring documented files of selected business organizations and the various existing research studies.

## 3.5 Research Design and Approach

Research design refers to the entire strategy utilized to conduct the research that defines a succinct and logical plan to tackle established research questions through the data collection, interpretation of the collected data, analysis, and discussion of data (Claybaugh and Zack, 2020) while a research approach is defined by (Grover, 2015) as the procedures of research that encompasses the steps from broad assumptions to data collection analysis and interpretation of the analyzed data. So, this study conducted mixed approach method whereby qualitative and quantitative techniques were applied to study the same phenomena, from data collection to data analysis stages. Generally, For the purpose of the research to achieve its design objectives, it was planned for appropriate organized investigation which considers to find answers to the research questions accordingly. The plan was about the complete scheme of the research through the business performance found in Addis Ababa. As it comprises a framework of what the investigator will do from writing hypothesis and their equipped implication to the eventual analysis of data (Kothari, 2004)

The study has taken a clear view that a relationship was established between measures of strategic management and apparent overall business performances, comprehensive objective solution is supposed to be obtained to a research question and phenomenology where all capability is personal, since perception and observation are at least somewhat based on personal opinion, and the results cannot be fully objective. Some concepts such as business achievement may not be fully quantifiable and will be impacted by independent judgment of the participants/ respondents.

According to Cooper and (Schindler, 2003), a descriptive study is concerned with finding out the where, what and how of a phenomenon. Descriptive research design was chosen because it enabled the researcher to generalise the findings to a larger extent of the population.Descriptive design method provided quantitative data from cross section of the selected population. The descriptive research collects data so as to answer questions concerning the current status of the subject matter under the study (Mugenda and Mugenda, 2003).

This research applied descriptive-analytical research design, correlational design and regression. Both quantitative and qualitative research approaches were applied to assess the contribution of the strategic management on the firm's business performance success. The reason for using these approaches is that they enabled the researcher to come out with different views, opinions, feelings, and life analysis from various respondents in regard to the study. They also assisted the acquisition of both quantity and quality of the perceptions, opinions, feelings, views, intentions from various respondents.

## 3.6 Study population and Sampling

As (Shukia, 2020) clarified research Sampling is a mechanism to collect data sans surveying the entire target population while the research population is the entire unit of people you observe for your research. Even though A sample is a subset of this group that represents the entire population it minimizes survey fatigue as it is used to prevent pollsters from carrying out too many surveys, thereby increasing response rates; Also, it is much cheaper and saves more time than measuring the whole group; Tracking the response rate patterns of various groups will help determine how many participants is select and the research is not only limited to the chosen part, but is applied to the overall target population.

For a significant demonstration of the research, a sample size of about 450 respondents was intended to participate the research from almost a population size at the 95% confidence level with a target about 5% margin of error. The target business firms for this study was the top 50 business firms in Ethiopia particularly in Addis Ababa because it is the rich area to be studied and is concentrated with lots of Business firms. survey participants were required to submit data which is useful for the firm's business indicators.

The target of population that the questioner was dispersed to were business experts, business managers, business consultant experts, production officers, financial officers, sales officers as well as marketing officers as well as they are chosen as a respondent for the point that they frequently are the who involved strategic business management for the firm's business performances. Purposive Non-probability sampling method was chosen to be conducted which are intended for the choice of this research as long as the researcher plays the main role in the study and the choice of the participants depends on the favor of the researcher. The purposive non-probability sampling provides many benefits such as low cost, fast execution, simple organization, and the researcher uses their expertise to select a sample that is most helpful to the purposes of the research.

## 3.7 Method of Data Analysis

According to (Taherdoost, 2020) Data analysis is just the process of converting the gathered data to meaningful information. various techniques such as modeling to reach relationship, trends and therefore conclusions to address the decision-making process are employed in this process as stated by (Start, 2006). However, the data needs to be prepared before being applied in the data analysis process. Data preparation by which was collected by the researcher is is converted to the numerical format readable to be applied in specific analyzing programs such as SAS, SPSS and STATA etc. The steps that has been followed for the data preparation process are data coding, data entry, missing values, as well as data transformation. And if we describe These steps briefly here: Data Coding: Converting data to numerical values occurs during the data coding process. It uses a codebook which is a document including various information such as an explanation of the variables, measures, and format of the research variables, the response, and eventually codding them. In this process response means determining the types of scales like, whether the scale is selected as nominal, ratio, ordinal, or interval; whether the scale is 5 point, 7 point, etc. Data entry is also: In this process, the coded data from the previous step is entered into spread sheets or text files. It also can be directly added to the selected statistical program. Missing data: As some research participants may not answer all the questions due to different reasons, this method should be used to face the missed values. For instance, you need to add the value -1 or 999 in some programs, some of them automatically deals with the missed values, and others use a listwise deletion technique facing the missing data which drop all the answers even with a single missed value accordingly. Data transformation: Transforming data is required before interpreting them in some cases. Reverse coded items can be observed as an example that should be transformed before combining or comparing with not reversed ones and the concept is used where the meaning of the item is opposite to their underlying the main construct (Bhattacherjee, 2012).

Therefore, the collected data through the means of questionnaires and employed document review was observed, analyzed and interpreted. The results of the statistical analysis are presented in the dissertation by using the chosen descriptive analysis specifically Measure of frequency and Measure of central tendency is applied whereas the Correlation analysis with the application of software's like Microsoft, Stata and Excel was done.

## 3.8 Research Ethical Issues

According to (Dr Jenn, 2006), good research should be appropriately designed, well adjusted, well-planned, and ethically approved. To conduct research to a lower standard may consist misconduct. This may appear to be relatively a stringent criterion, but it highlights the basic requirement of a researcher is to carry out a research responsibly. To achieve this, a research protocol should be developed and adhered attentively. It must be carefully agreed to by all collaborators, contributors, and keep the precise roles of each team member been spelled out early, including matters of concerning authorship and publications. Research should seek to answer the required specific questions, rather than just collect data.

It is essential to obtain approval from the concerning Institutional higher education Board, or Ethics Committee, of the respective offices for studies involving people, medical records, legal entities and anonymised human tissues. The research dissertation should discuss potential ethical issues pertaining to the research study. The researchers should pay special attention to susceptible subjects to avoid breech of ethical codes (e.g. children, mentally challenged, educationally, prisoners, pregnant women, and economically disadvantaged). information sheet should be provided to the subjects during recruitment, potential benefits, detailing the objectives, procedures, and harms, as well as rights to refuse participation in the research. Consent should be described and obtained from the subjects or guardians, and steps ought to be taken to ensure confidentiality of information given by the subjects.

Therefore, the researcher conducted ethical consideration throughout the process of this research preparation and all the involved research respondents was requested respectfully by ensuring their willingness for participating in the research as well as they were clearly informed to have the right to quit their participation in any time of the discussion. In addition to that, they were obviously been informed that the data they provide will be kept confidential. Then data collection process was began by clarifying to respondents about the purpose of the research. furthermore, in order to assure caution, they were not forced to tell their names and other personal profiles and their organization's confidential documents as well and eventually the researcher made sure to reduce any possible harm to the minimum, and maximise the benefits both to respondents and other people. This means, for instance, the researcher did not expose people to more tests than are strictly necessary to fulfil her research aims.

# Chapter Four

## 4.Presentation, analysis, interpretation and Discussion of Results

### 4.0 Introduction

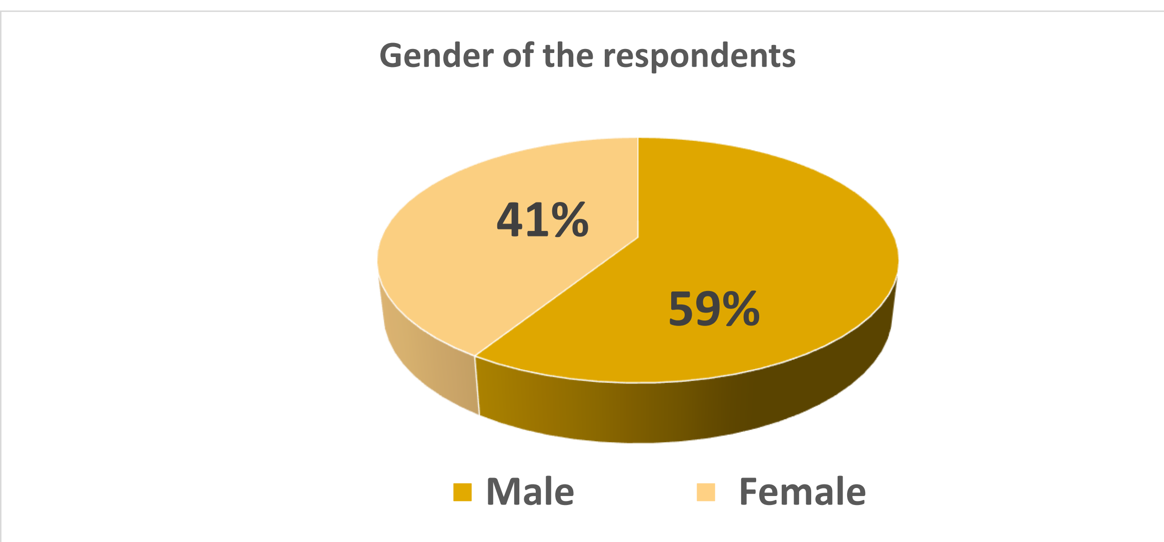
This chapter is the main chapter of this research dissertations since it aims to bring order and structure to data by manipulating, summarizing, and reducing it to an interpretable form of results. It assists to uncover the patterns in the data as well as Data interpretation aims to conduct and apply processes that assign meaning to these discovered patterns by analyzing data in order to statistical conclusions, that infers the implications and relationships. on this research findings and discussion of findings found from data collected. This chapter the researcher presented the findings which were collected from the research field with questionnaires being managed to the participants whereby they were required to fill in their forms based on their understanding. In this research, the researcher distributed 450 questionnaires to the respondents and 418 were returned which mean more 92 percent of the response rate were filled by the respondents. This is a dependable data response rate for analysis as per (Mugenda, 2003) who held that 50 percent is sufficient for analysis in a generalization research , 60 percent is good, while 70 percent and above is excellent. The excellent response rate can be confirmed to the data collection technique applied by the researcher, whereby research associates has participated in dispensing the questionnaires, waiting for respondents to complete, encouraging the respondents to complete in the questionnaires through frequent mobile calls and collecting the questionnaires from the research respondents once they were accordingly completed. The reasons for non-responsiveness for the other questioners were Refusal to provide an answer, Inability to answer , respondents being busy, the Provided response being of inadequate quality (e.g. implausible, incomplete, in consistency check, etc.) some immoral working culture of the organization, unwillingness and tight working schedule.

## 4.1 Demographic Characteristics of Respondent

The questionnaire was distributed to all staff members of randomly selected employees from the each business firms in a random selection approach and the rationale for engaging all employees of the selected business firms for the survey questionnaire is because (Kaplan and Norton, 2005) who argued a persistent gap between strategic ambition and performance arise from a disconnect in most firms between strategy formulation and strategy performance. If the staffs who are manage the firm's business section, closest to customers and who operate the processes that create value which are unaware of the strategy, they surely cannot assist the organization implement it effectively. Thus, the researcher broadens the survey feedback from all the staffs, who do involve at any type of the strategic management process, to make the findings tangible and comprehensive and the following Tables and figures presents the demographic profile of the respondents, including respondent's Age, respondent's Gender, respondent's level of education and respondent's experience.

### 4.1.1 Gender of respondents

Figure 4- Gender of the respondents




*Source: Primary data survey 2024*

The rationale for routinely considering gender in implementation research is multifold since gender are important in decision-making, stakeholder engagement, communication, and preferences for the uptake of interventions (C Tannenbaum, 2016). Fig-4 illustrates that the respondent in the research was dominated by male with frequency of 246 respondents such as 59 percent compared to female whose frequency is 41 percent representing 172 respondents. That means the results prove the fact that many of the respondents working in Ethiopian business firms are male.

### 4.1.2 Educational of the respondents

Table 1- Educational Background

| Sno | Respondent educational Background | No of the respondents | percentage |
|---|---|---|---|
| 1 | ***Diploma*** | ***68*** | ***16.26%*** |
| 2 | ***Degree*** | ***234*** | ***55.98%*** |
| 3 | ***Master*** | ***113*** | ***27%*** |
| 4 | ***PhD*** | ***3*** | ***0.76%*** |
| | ***Total*** | ***418*** | ***100%*** |

The table-1 shows that most of the numbers of the respondents in this research are the staffs who had degree level of educational background since it is known degree documents enables individuals to qualify for most additional opportunities and contributes more flexibility in where one can choose to work which more jobs are available to degree holders than high school and other levels of graduates and the above table shows out of 418 respondents 68 (16.26%) had BSc level, 234 (55.98%) had degree, 113 (27%) had master and 3 (0.76%) had PhD level. This means that, the researcher concentrated on the people with enough skills in the field of Strategy management so as the firm can improve business sector.also considering the level of education is important since the ensures the respondents were able to respond questions significantly by relating the research to its objectives.

### 4.1.3 Working experience of respondents

Figure 5- work experience of the respondents

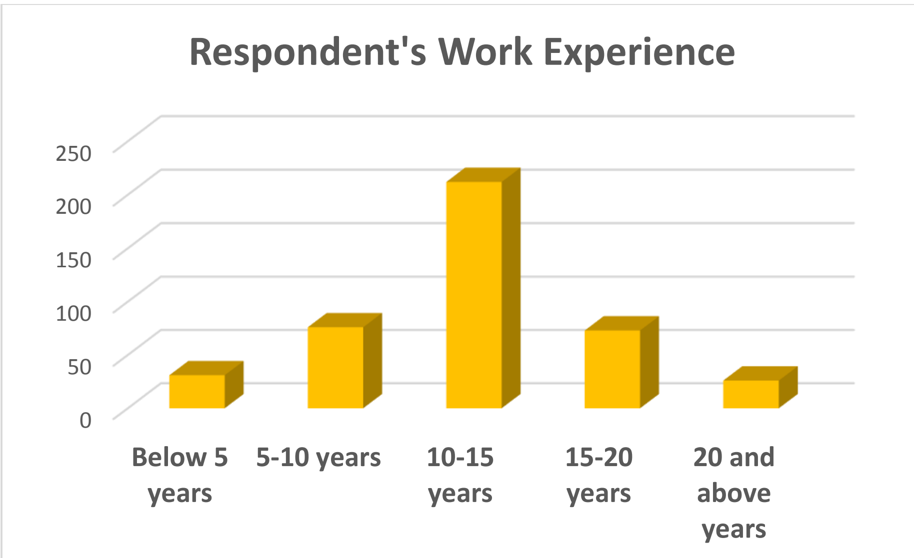



Fig-5 illustrates that out of 418 respondents (100%), 31 (7.41%) had below five years of experience, 76 (18%) had between 5-10 year of experience, 212 (50.72%)were the most numbers of staffs found in the Ethiopian business firms who had 10-15 years of experience, 73 (17.46%) had between 15-20 years of experience while 26 (6.41%) had 20 years and above experience. This means the research got useful information concerning research objectives, because experienced respondent contributes feasible information which is capable to detect the role of strategy management on the Ethiopian business performances.

### 4.1.4 Age of the Respondents

Table 2- Age of the respondents

| Age level | Number of staffs | percentage |
|---|---|---|
| **18-25** | 108 | 25.83% |
| **25-35** | 171 | 40.9% |
| **35-45** | 75 | 17.94% |
| **45-55** | 51 | 12.20% |
| **55 and above** | 13 | 3.13% |
| **Total** | **418** | **100%** |

*Source: Primary data survey 2024*

It is indispensable to include expression of respondent's age in the research since age plays a significant role in shaping the perception of respondents' performance, the representativeness of survey samples, and the quality of responses. So, Table-2 illustrates that out of the total 418 respondents, 108 staffs (25.83%) were between18-25 years of age, 171 staffs (40.9%) were 25-35 years of age which are the maximum number of respondents who participated in this research, 75 staffs (17.94%) were 35-45 years of age, 51 staffs (12.2%) were 45-55 years of age while 13 staffs (3.13%) were older than or equal to 55years which is the minimum number of participants who participated in this research. This shows that the research got important information concerning research objectives, since various age group respondents contribute feasible information in order to detect almost the right data entailing the role of strategy management on this Ethiopian business firms accordingly.

#### 4.1.5 Did the responder took place firm's strategic plan?

Table 3 Respondents taking place firm's plan

| Did the responder took place firm's strategic plan | Number of staffs | percentage |
|---|---|---|
| **yes** | 281 | 67.22% |
| **No** | 137 | 32.78% |

| | | |
|---|---|---|
| **Total** | 418 | 100% |

*Source: Primary data survey 2024*

Ardently engaging firm's strategic planning enables awareness of the future state of opportunities and challenges. It also helps them to anticipate risks and understand what resources will be necessary to seize opportunities and overcome strategic issues. So, the research also investigates whether the respondents took place the firm's strategic planning and thus, Table-3 shows the results of the findings as they present that 281 staffs (67.22%) of the respondents said that they have took place the firm's strategy planning while 137 (32.78%) of the respondents said that they didn't participate firm's strategy planning. Hence, the research seems to be comprehensive and feasible due the greater number of respondents who took place firm's strategy planning accordingly.

### 4.1.6 Did the responder actively participate firm's strategy monitoring and evaluation?

Table 4- Respondents actively participated firm's strategic monitoring and evaluation

| Did the responder participate firm's strategic monitoring and evaluation | Number of staffs | percentage |
|---|---|---|
| **yes** | 251 | 60.05% |
| **No** | 167 | 39.95% |
| **Total** | 418 | 100% |

*Source: Primary data survey 2024*

Vigorously participating firm's strategic monitoring and evaluation enables the firm to track progress, identify any potential issues, and measure outcomes. Through respondent's active participation of the firm's Monitoring and Evaluation helps firms to identify areas of improvement, assess the effectiveness of their strategies and ensure that they are meeting their goals and objectives. So, the research investigates whether the respondents actively participated the firm's strategic monitoring and evaluation and thus, Table-4 illustrates the results of the findings as they present that 251 staffs (60.05%) of the respondents said that they have participated the firm's strategy monitoring and evaluation while 167 (39.95%) of the respondents said that they didn't participate firm's strategy monitoring and evaluation.

## 4.2 presentation of Data analysis and findings

This portion is about the presentation of data analysis and findings and has its extended significance since it require analysing and present findings large volumes of the collected data to identify trends and patterns and to gather a well organized valuable insights. Effective analysis of the collected data can help them optimise their operations, improve their supply chain, encourage service innovation, effective utilization of resources, customer satisfaction, enhance their products, excellent service quality, timely delivery, increase sales, generate revenue, as well as efficient cost management due to the viable strategy management entailed research analysis and findings. It also illustrates the findings in relation to the data collected and research objectives toward investigating the role of strategic management on the Ethiopian business's performances. During this research study, the findings were analyzed and interpreted so as to evaluate whether the strategic management processes like environmental scanning, strategy formulation, strategy implementation as well as strategy monitoring and evaluation influence relatively the the business firm's performance in the Ethiopian.

### 4.2.1 The descriptive analysis

This part is about identifies patterns in data which is intended to answer the questions about where, who, when, what, and to what extent. It will also describe how to more effectively conduct, approach, and communicate quantitative descriptive analysis. This descriptive analysis is one of the most critical phases of this statistical research data analysis since it provides the researcher with a conclusion about the distribution of the researcher's data and aids in detecting outliers and errors and It also lets the researcher spot patterns between variables, preparing the researcher for future statistical analysis when necessary.

#### *4.2.1.1 The descriptive analysis of the dependent variable*

Table 5 Descriptive analysis of the Dependent variable

| sno | Description of dependent Variables | Number of Respondents | Mean | Std. Dev. |
|---|---|---|---|---|
| 1 | The firm's strategy management help to utilize the Resource properly | 418 | 2.74 | 1.42 |
| 2 | The firm's strategy management provides the required Innovation of services | 418 | 3.29 | 1.28 |
| 3 | The firm's strategy management promotes Customer Satisfaction | 418 | 2.58 | 1.60 |
| 4 | The firm's strategy management enhances the Service quality | 418 | 2.55 | 1.36 |
| 5 | The firm's strategy management increases Productivity | 418 | 2.95 | 1.43 |
| 6 | The firm's strategy management helps firm's Performance to finish works on the planned time | 418 | 2.81 | 1.39 |
| 7 | The firm's strategy management enables firm's Performance to achieve works per the allocated cost | 418 | 3.78 | 1.22 |

Source: Primary data survey 2024

**Interpretation**: Properly interpreting the found results in table-5 is significant since it enables to extract meaningful insights, to draw accurate conclusions, and to inform future research directions and table-5 indicates most of the research respondents approved the

The firm's strategy management enables firm's Performance to achieve works per the allocated cost which is accorded an important role as depicted by mean score 3.78 and a lowest standard deviation of 1.22 so it can help firms with proper cost management strategy implementation are able to understand when the amount of cost will incur in the future whether they have current or future cost information. Thus, managers can make better choices which will positively enhance the financial performance of business firms.

More business tasks were considered important to satisfy their customers which crucial as the business's service innovation changes the approach customers are served to create value for customers and revenue for the business firms. It also focuses on identifying customer desires so as to make services more customer-friendly, sustainable, and meaningful by seeing from It is evident that the second majority of the respondent agreed that the firm's strategy management provides the required Innovation of services as shown by mean score of 3.29 and lower standard deviation of 1.28 but the firms' service quality did not give attention its users' needs by fulfilling their expectations to improve the service quality of the products as the key step to growth for any firms as well as Measuring and enhancing service quality is not considerably referred like a valuable performance. So, the customers and the sponsors can reject their business performances since the Minimum respondent of this research further agreed that the firm's strategy management enhances the Service quality with mean score of 2.55 and a standard deviation of 1.36.

#### *4.2.1.2 The Descriptive analysis of the independent variable*

Table 6- Descriptive analysis of the independent variable

| sno | Description of independent Variables | Number of Respondents | Mean | Std. Dev. |
|---|---|---|---|---|
| **1** | **Environmental scanning** | **418** | **2.90** | **1.44** |
| 1.1 | Conduct situational analysis of the firm | 418 | 2.97 | 1.47 |

| | | | | |
|---|---|---|---|---|
| 1.2 | Perform analysis and forecasting of the firm's relevant markets and economy | 418 | 2.83 | 1.44 |
| 1.3 | Carried out acquisition and application of information about firm's environment | 418 | 2.81 | 1.41 |
| 1.4 | identifying the main issues affecting organizations by helping to detect SWOT | 418 | 2.98 | 1.43 |
| **2** | **Strategy formulation** | **418** | **3.10** | **1.45** |
| 2.1 | The firm developed long term plans to address effectively with environmental opportunities and threats | 418 | 3.18 | 1.22 |
| 2.2 | The firm articulated appropriate mission, vision and a set of long-term objectives | 418 | 3.28 | 1.54 |
| 2.3 | The firm conducted action plan | 418 | 3.21 | 1.67 |
| 2.4 | The firm carried out gap analysis and value assessment | 418 | 3.45 | 1.46 |
| 2.5 | The firm prepared strategy design | 418 | 2.81 | 1.45 |
| **3** | **Strategy implementation** | **418** | **2.92** | **1.68** |
| 3.1 | The firm made sure the created strategies actually work in practice | 418 | 2.82 | 1.47 |
| 3.2 | The firm Set and communicate the strategic goals | 418 | 3.07 | 1.35 |
| 3.3 | The firm effectively engage the implementing team | 418 | 2.68 | 1.36 |
| 3.4 | Sufficient resources were allocated for implementation of the firm's tasks | 418 | 3.19 | 1.65 |

| | | | | |
|---|---|---|---|---|
| 3.5 | Manager's support affects implementation of strategic plan. | 418 | 2.72 | 1.37 |
| 3.6 | Completely executed and shared the firm's planned scope | 418 | 3.01 | 1.67 |
| **4** | **Strategy Monitoring and Evaluation** | **418** | **3.26** | **1.43** |
| 4.1 | The firm conducted monitoring to ensure that the chosen strategy achieves the desired objectives | 418 | 3.33 | 1.27 |
| 4.2 | The firm undertaken performance evaluation if it is exactly in line with the strategic plan | 418 | 2.86 | 1.46 |
| 4.3 | The firm reviews strategic management decisions | 418 | 3.03 | 1.64 |
| 4.4 | The firm conducts evaluation on regular basis and undertakes corrective action on timely basis | 418 | 3.31 | 1.28 |

Source: Primary data survey 2024

By increasing in depth understanding, the above research findings in the table-6 which is about descriptive statistics of independent variable of the research entitled the role of strategic management on the Ethiopian business firms' performances showed that majority of the respondents strongly agreed that The firm carried out gap analysis and value assessment, The firm conducted monitoring to ensure that the chosen strategy achieves the desired objectives and The firm conducts evaluation on regular basis and undertakes corrective action on timely basis as delineated by their mean score of 3.45, 3.33 and 3.31 with their standard deviation 1.46, 1.27 and 1.28 respectively. Also, the second majority of the respondents believe The firm articulated appropriate mission, vision and a set of long-term objectives, The firm conducted action plan, and Sufficient resources were allocated for implementation of the firm's tasks as indicated by mean score of 3.28 (Std.D = 1.54), 3.21(Std.D = 1.67) and 3.19(Std.D = 1.65) respectively. Likewise, an average number of respondents stated that their firm Completely executed and shared the firm’s planned scope, The firm reviews strategic management decisions, and the firm Set and communicate the strategic goals as delineated through their mean of 3.01, 3.03 and 3.07 with their standard deviation of 1.67, 1.64 and 1.35. on the environmental scanning respondents argued that their firm: conduct situational analysis; Perform analysis and forecasting of the firm's relevant markets and economy; Carried out acquisition and application of information about firm’s environment and identifying the main issues affecting organizations by helping to detect SWOT as delineated through the mean 2.97 (Std.D=1.47), 2.83 (Std.D=1.44), 2.81 (Std.D=1.41) and 2.98 (Std.D=1.43) respectively. In the aspect of strategy formulation observer support the idea that their firm: developed long term plans to address effectively with environmental opportunities and threats and prepared strategy design as the mean 2.18 (Std.D = 1.22) and 2.81 (Std.D = 1.45) respectively. in the case of the remaining Strategic implementation the research respondents believed that their firms made sure the created strategies actually work in practice and their manager’s support affects implementation of strategic plan as delineated with their mean 2.82 (Std.D = 1.47) and 2.72 (Std.D = 1.37) respectively. The last but not the least, in the instance of the strategy monitoring and evaluation the research respondents specified that their firms undertaken performance evaluation if it is exactly in line with the strategic plan with the mean 2.86 (Std.D = 1.46). it is conspicuous that the least number of the respondents believed that Their firm effectively engage the implementing team with a mean 2.68 (Std.D=1.36).

Briefly to abrupt wrap up the interpretation of this research findings in relation to independent variables’ descriptive analysis of the collected data in the table-6 It is noticeable when the firm The firm not effectively engage the implementing team then the firm: will not know whether someone likes their job or not; will understand how committed they are to the business and its success; will not notice how motivated they are and how emotionally invested they are in the work they are doing; employee will be motivated to work hard towards the common goal which fits with the firm’s vision; the team will not be committed to the values their firm they represents; employee will not have a clear view and understanding of the objectives of the work they are hired for.

The general findings and interpretation of this descriptive analysis of both the dependent and the independent variables illustrates that most of respondents supported the idea that The firm carried out gap analysis and value assessment, The firm conducted monitoring to ensure that the chosen strategy achieves the desired objectives and The firm conducts evaluation on regular basis and undertakes corrective action on timely basis while the minimum number of respondents agree that their firm effectively engage the implementing team. In line with that the strategy process with the most supported by respondents is the strategy monitoring and evaluation with an average mean 3.26 and standard variation of 1.43 while the strategy process with least supported this research respondents is the environmental scanning with an average mean 2.90 and standard variation of 1.44

### 4.2.2 Correlation analysis

The research correlation analysis is primarily concerned with finding out whether a relationship exists between the variables then determining the action and the magnitude of that relationship. is a numerical measure of some kind of correlation, meaning a statistical relationship between two independent and dependent variables which may be two columns of a certain data set of observations, often known as a sample, or two components of a multivariate random variable with the known distribution substantially. it is very important for this research analysis since it helps to have a correct idea of the working capacity of the researcher and the readers; it provides insights into complex real-world research relationships by helping researchers develop theories and make predictions; it evaluates the strength and the relative direction of a linear relationship between the independent and dependent research variables as stated by (Sanders and Smiolt, 2000).

Correlation analysis was conducted to consider the relationship between the variables which develop the research and any correlation which is positive expresses a direct or positive relationship between two measured variables while the correlation which depicts Negative expresses indirect or Negative relationship between two measured variables as well.

Table 7- Correlation analysis

| | Environmental scanning | Strategy formulation | Strategy implementations | Strategy M & E | Resource utilization | Service innovation | Customer satisfaction | Service quality | Productivity | Performance time | Performance cost |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Environmental scanning | 1 | | | | | | | | | | |
| Strategy formulation | 0.278 | 1 | | | | | | | | | |
| Strategy implementation | 0.028 | 0.328 | 1 | | | | | | | | |
| Strategy M & E | -0.075 | 0.118 | 0.253 | 1 | | | | | | | |
| Resource utilization | 0.120 | 0.115 | 0.560 | 0.545 | 1 | | | | | | |
| Innovation of services | -0.141 | 0.537 | 0.632 | 0.085 | 0.249 | 1 | | | | | |
| Customer satisfaction | 0.029 | 0.037 | 0.022 | 0.035 | 0.249 | 0.097 | 1 | | | | |
| Service quality | 0.547 | 0.289 | 0.260 | 0.444 | 0.157 | 0.219 | 0.170 | 1 | | | |
| Productivity | -0.026 | 0.349 | 0.207 | 0.346 | 0.358 | 0.962 | 0.053 | -0.137 | 1 | | |
| Performance time | 0.112 | 0.686 | 0.078 | 0.348 | 0.610 | 0.327 | -0.017 | -0.022 | 0.442 | 1 | |
| Performance cost | -0.130 | 0.412 | 0.733 | 0.203 | 0.255 | 0.864 | 0.132 | 0.347 | 0.110 | 0.138 | 1 |

*Source: Primary data survey 2024*

The Table-7 illustrates that strategy formulation presents a positive weak correlation with environmental scanning (0.278). The strategy implementation shows a positive weak non correlation with environmental scanning (0.028), a positive weak correlation with strategy formulation (0.328), The strategy monitoring and evaluation displayed negative strong non correlation with environmental scanning (-0.075), positive weak correlation with strategy formulation (0.118) and positive weak correlation with strategy implementation (0.253). The proper resource utilization has positive weak correlation with environmental scanning and strategy formulation with (0.120) and (0.115) respectively as well as it has positive moderate correlation with the strategy implementation and strategy M&E with (0.560) and (0.545) respectively. The service innovation displayed a negative weak correlation with the environmental scanning (-0.141), moderate positive correlation with strategy formulation with (0.537) , strong positive correlation with strategy implementation with (0.632), a positive strong non correlation with the strategy M & E with (0.085) as well as a positive weak correlation with resource utilization with (0.249). The customer satisfaction delineated a positive weak non correlation with the environmental scanning, strategy formulation, strategy implementation, Strategy monitoring and evaluation as well as service innovation with (0.029), (0.037), (0.022), (0.035) and (0.097) respectively, a weak positive correlation with resource utilization with (0.249). The service quality showed a moderate positive correlation with environmental scanning and strategy M & E with (0.547) and (0.444) respectively and weak positive correlation with strategy formulation, strategy implementation, resource utilization, service innovation and customer satisfaction with (0.289), (0.260), (0.157), (0.219), and (0.170) respectively. The productivity presented a negative positive non correlation with the environmental scanning, a weak positive correlation with strategy formulation, strategy implementation, strategy M & E and resource utilization with (0.349), (0.207), (0.346) and (0.358) respectively, a strongest positive correlation with the service innovation with (0.962), a moderate positive non correlation with customer satisfaction with (0.053), a negative weak correlation service quality with (-0.137). The performance time illustrated a weak positive correlation with the environmental scanning, Strategy M & E, service innovation and productivity with (0.112), (0.348), (0.327) and (0.442) respectively, a strong positive correlation with the strategy formulation and resource utilization with (0.686) and (0.610) respectively, a strong positive non correlation with strategy implementation with (0.078), a weak negative non correlation with the customer satisfaction and service quality with (-

0.017) and (-0.022) respectively. The performance cost showed a negative weak correlation with the environmental scanning with (-0.130), a moderate positive correlation with the strategy formulation with (0.412), a strong positive correlation with strategy implementation and service innovation with (0.733) and ( 0.864) respectively, a positive weak correlation with strategy M & E, resource utilization, customer satisfaction, service quality, productivity and the performance time with (0.203), (0.255), (0.132), (0.347), (0.110) and (0.138) respectively.

# Chapter Five

# Summary, Conclusions, Research Contributions and Recommendations

## 5.0 Introduction

In this chapter is about the research summary that entails a piece of writing that summarizes the research on a specific topic and Its primary goal is to provide the reader a detailed overview of the study with the key findings which is generally consisting the article's structure in which it is written; the conclusions which is derived from the findings of this research on the role of the strategy management on the Ethiopian business firms' performances are described which is based on the purpose, research questions and results of the research, and the implications of these findings; the resultant recommendations that were based on the conclusions and purpose of the study is to be explained as well as recommendations for further study is to be presented accordingly.

## 5.1 Summary of Findings

On the basis of the premise of the research entitled the role of strategy management on the Ethiopian business firms, data was gathered through the Questionnaires and interviews for the purpose of this research, the summary of the findings of this research shall be discussed here. Thus, having a competitive advantage is key for survival as the business firms in Ethiopia is very competitive, since many firms tends to use same or similar models of doing business, so the managers and business ownerss' have to be pro-active, the sector has also been affected negatively by financial crisis and Covid-19 pandemic that affected the whole world.

In addition to that, the research questions which were about the role of the strategy management processes like environmental scanning, strategy formulation, strategy implementation, strategy monitoring and evaluation on the Ethiopian business firms' performances being proper resource utilization, service innovation, customer satisfaction, service quality, productivity, business time performance and cost management performance are crucial in chapter one was answered in chapter four of this conducted research. These were designed in accordance to deal with the problem at hand which was related the business firms' performances in Ethiopia. It in turn prompted the researcher to find out the effectiveness and efficiency way of using strategy management processes toward the business firms' performance and the researcher was able to examine the research questions.

In this study, the analysis was based on 418 respondents who represented major business firms and the researcher set the questionnaires for the aim of investigating whether the strategy management process can affect the business firms' performances. So, it was found through this research after extensive examination that how effective are firms' business performances through the strategy management they had conducted. Hence, the specific objectives set by the researchers were met during the research works. And in this research. Descriptive statistics analysis were applied in this research aimed to sort the collected research research that aids in describing, demonstrating and summarizing data points so those patterns can develop that satisfy all of the conditions of the data necessarily which is also the technique of identifying patterns and links by utilizing the gathered data required to translate them into a formal then been analyzed data quantitatively in terms of Mean, standard deviation and correlation analysis being taken into consideration to examine the strength of dependent variable to independent. A Microsoft excel and a general-purpose statistical software package (STATA) were applied to analyze the data collected throughout a questionnaire.

According to the findings in the descriptive analysis, the minimum number of respondents agree that their firm effectively engage the implementing team. In this regard, there are several benefits of implementing team engagement toward organizational performance such as better team performance, improved employee productivity, higher retention rates, lower turnover, as well as decreased burnout (Gyensare et al, 2017). Implementing staff who lack engagement with their task are more inclined to seek alternative employment opportunities. Given that the cost of replacing an implementing staff ranges from half to double their annual wage, in addition to the intangible impacts on worker morale and productivity, lack prioritizing implementing staff engagement can result insignificant cost reductions for the firms. Implementing team who exhibit lower levels of engagement are more prone to experiencing heightened levels of stress as stated by (Jnaneswar and Ranjit, 2023). This stress, in turn, hurts their engagement, establishing a self-perpetuating cycle that may be challenging to disrupt. If implementing staffs are engaged with letting them feel valued, recognized, and respected, increases their loyalty toward the firm and they are more willing to go above and beyond their job duties and take pride in their task. Well engaged implementing staffs are also more likely to feel valued by their firm's employer, and boosting their morale that leads them to higher job satisfaction (Knotts and Houghton, 2021). By understanding the drivers of implementing staff engagement, best practices for fostering it, and the role of leadership in enhancing engagement, firms can create a culture that increases employee's loyalty, re self-motivated, staffs that have a clear understanding of their roles, staffs that Recognize the significance of their contribution, employees that focus on future training and development, employees that feel that they belong to the organization, staffs that help raise productivity, staffs that increase profits, staffs that enhance customer experience, staffs that foster brand loyalty, worker that facilitate growth And satisfaction that drives the firm's performance to new heights.

According to findings about the strategic management processes' descriptive analysis indicated that Minimum respondents believed the required environmental scanning were carried out by the business firms. That is why business firms of all sizes could not properly identify potential threats and opportunities as well as their strengths and weaknesses which impact the business and its competitors. Not having enough knowledge about these components of a business and the environment in which it operates cannot help business managers when making decisions as well as those involved in the strategy behind the business. Likewise, due to their lack of environmental scanning, firms fail to learn more about the strategies taken by competitors, marketing a product as well as service misses the positioning of that offering as stronger or more appealing than anything available from the market competitors, so lack of the required scanning of the firm's environment can lead ones to overlook learning more about the actions of competitors and lacking to use that information in the positioning strategy. Furthermore, lack of data extracted from environmental scanning led not to achieve important role in the long-term approach of the business, including any plans to grow or scale up.

On the other approach, it was also obvious that the customer satisfaction revealed non-correlational relationship to the Environmental scanning, strategy formulation, strategy implementation, strategy monitoring and evaluation as well as service innovations. this is the reason that firms failed to measure of how well the firm's products, services, and the entire customer experience meet customer expectations, not effectively reflect the firm’s business' health by showing how well your products or services resonate with their buyers. On the basis of the customer satisfaction in relation to the firms’ business performances, establishing a business organization is extremely tasking and requires intense potential in order to attract customers for the sake of running a business firm since they are the people or organizations that buy the products and services of a business for personal use, production, resale, industrial use and manufacturing. The expectations of the customers are to find the value of what they are being offered and to be entirely cared for in the best way by the business firm. As a result of this, the business firms have to do everything possible to make the customers feel happy and make sure they get the best value for their payment. By doing this the business firms will experience a growth in their customers cause and the number of their customers will increase because their existing customers are introducing the business firms to other people due to their satisfaction.
Customer satisfaction has been a major driver of investments that aim to leverage firm’s performance and competitiveness (Anderson et al, 1994). Customer satisfaction is associated with increased loyalty to a firm, reduced price elasticity, easier introduction of new products, reduced competitor attractiveness, reduced need to manage complaints, lower transaction costs to win new customers, gains in overall reputation, and reduced risks of losing customers (Kolar et al, 2018) and (Henard et al, 2001).


Figure 6- Customer satisfaction outcome

The last but not the least, The strongest positive correlation exists between service innovation and productivity of the Ethiopian business firms which entails the attainment of service innovation enables better organizational performance, which reflects in growth and productivity along with service innovation makes a firms' productivities more heterogeneous and promotes a better market performance by that firm as well as service innovation can have a significant, positive impact on the products sales growth rate. However, in some context of developing countries, service innovation does not affect a company's sales if it is not deeply correlated with firms' productivities furthermore service innovations can also increase capacity utilization by increasing both productivity and quality. Thus, innovation in services production can lead to increases in both productivity and service quality in consonance with the service the innovation, the productivity help a firm achieve its goals, boosts morale and creates a firm culture of excellence, resulting in an improved workplace environment. When a firm is highly productive and successful, incentives like pay hikes, bonuses, insurance, etc., are made available to the staffs. It motivates firm's staffs and advances their careers as the firm flourishes. So, for every firm, productivity in the workplace is an essential aspect that the top leadership must understand in order to enjoy success. Moreover, enhanced productivity helps the firms to Effective utilization of resources interms of increased production volume and lesser cost of production, Reduced time-to-market with assured better quality, less overhead costs, more profits to stakeholders, generates higher per capita income as well as helps achieve overall growth that in turn prosperity of the firm's business is assured.

## 5.2 Conclusions

Eventually, to restate the research problem, summarize the research's findings, and discusses the implications, the Research's purpose was to examine and find out role of of the strategic management on the Ethiopian business firms' performances. The researcher concluded that most of the research question and objective of the study was obviously dealt with and the key points found in this research was to witness the importance of the strategic management processes and how it influences to lead the firms' business performances to advance. The least number of respondents support the idea that their firm effectively engage the implementing team. This means Engagement of an implementing team has positively related to productivity; negatively related to outcomes such as turnover intentions, and burnout; refers to a motivational state; and characterized by exerting one's full self in a work role.It is obvious when the required environmental scanning were not carried out, the business firms will be blind of their future situation by not knowing all the factors that will affect the organization in the future and also the firms cannot adapt rapid changes taking place in the environment that has a great impact on the working of performance the organization. It is also comprehensive that when customers are satisfied the organization will retain customers' loyalty, increase in business firms' sales, increase in all business firms' profits, reduce firms' costs, increase in the firms' market shares, price firms' leadership, improves firms' good will, promotes firms' marketing and advertising, as well as ensures organizations' long term success and survival.

Furthermore, service innovation in relation to productive is highly effective for the business firms to advance since it changes the service offered on the market, contributes the most sophisticated required technology structurally, improves the entire human or organizational capabilities of the performing business firm, increases innovations in the quality of the products which necessarily arise from investment in intangible initiatives, enables businesses to increase employee engagement, enhance the customer experience, stay competitive, obtain more flexible with adaptable to change and all the above mentioned is in turn enhance the productivity and also the attainment of higher productivity is one of the vital aims of any business firms in which its improvement ensures lesser cost of production, higher production and most effective utilisation of the firms' resources as well as it is gaining immense popularity among producers, staffs, and consumers being extensively applied with utmost success by the Government, private firms and every other kind of undertakings.

## 5.3 Research Contributions

The research will contribute to knowledge of the strategic management on the business firms' performances specifically in Ethiopia and its relationship with aspects of the strategy process. The research proposes that a number of areas of strategic process, namely environmental scanning, strategy formulation, strategy implementation, and strategy monitoring and evaluation as an input which are related to the business firms' performances in different ways likely proper resource utilization, service innovation, customer satisfaction, service quality, productivity, performance time and cost management performance finding that role engagement of the implementing team, environmental scanning process, customer satisfaction and service innovation with productivities is the key necessity for the business firms' performances success. as discussed in Sections below.

### 5.3.1 Effectively engaging the implementing team

The research represents a contribution to knowledge of What makes a business a place of work is the human workers, also known in other words as the human capital, that determine both the quality of the business and the future of the firms. The more effectively engaged the implementing team are, the better it is for the business performance.

With the advent and proliferation of the knowledge economy, firm leaders have come to realize that they must go beyond acquisition with recruitment and focus on the entire employee lifecycle as they realize the importance of discovering viable the implementing team strategy to maximize their human capital investment and turn them into high return on investment assets for the business. The explicit search for effective engaging of the implementing team in this research share the knowledge that effective employee engagement idea will not only have the ability to enhance their performance but will also bring unique benefits to the business firms in the form of higher profitability, better customer retention, lower employee turnover, and a safer work environment. This adds to the bottom line quarter over quarter and confirms long-term prosperity for the organization.

### 5.3.2 the strategic management's environmental scanning process

The knowledge perspective taken in this presented research has allowed that environmental scanning helps firms ; know Its purpose is to identify opportunities and threats in the market that may affect their business by making strategic decision capabilities to know their rivals; to look at the outside world that the firms can find new trends and chances to enter new markets or make new service and products; to keep an eye on your industry's landscape by spoting the emerging opportunities with identify potential threats in order to respond quickly the changes in their current operating environment. After the process of gathering information about events and their relationships within the firms' internal and external environments. it will help business firms' management to determine the future direction of the organization.

### 5.3.3 customer satisfaction

In more general terms, this research has contributed an improved understanding of customer satisfaction in a number of ways. The perspective of looking at the organisation as a whole, while acknowledging how customers could contribute to the business firm's existence, has allowed an enhanced understanding of how customer satisfaction works at the organisational level.

In addition, by looking at organisations of different sizes, a number of insights into the effect of size on scope, mode and formality of customer satisfaction have been developed so that customer lifetime values can be enhanced; customer advocacy will improve firm's survival; reduces the firm's customer churn, Helps the firm stand out from the competition, and Enhanced brand awareness to come with more better.

### 5.3.4 service innovation and productivity

The review of strategy process-based literature and other contributions to the strategic management field contributed that the innovative service productivity has a function both of internal efficiency and cost-effective use of production resources and that of the external efficiency with customer perceived quality. It is related to how effectively input innovative service resources are transformed into productivity value for customers by not supporting the idea (R Johnston, 2004) arguing “In manufacturing, lower productivity is generally good for both the provider and the customer as it leads to lower costs and prices’’.

## 5.4 Recommendations

On the basis of the review discussed above, the following recommendations will be helpfull for the business firms to tighten that all firm’s engagement of the employees should work to achieve the goals of the business sector throughout the long term strategic plan held by the firm. Business firms should apply the strategic capacity building and motivations to as the firm to be more productive and gain competitive advantage in the markets since it has subject- specific standards that enable for a rigorous evaluation of a variety of business activities. It may also help in determining why some components is causing a conflict in the firm so that it can be developed a solution to the problem. Environmental scanning, once again, entails a variety of business supportive strategy to use a combination of external sources (industry publications, suppliers, government official’s customer feedback, and other competitors) with internal sources (customer service reps, public relation managers and sales team). It is convenient for business firm managers to conduct further updated situational analysis, perform frequent analysis and forecast the firms’ market and economy, carry out acquisition and application of updated information about the firms’ environment as well as identify the key issues affecting the firms by detecting the strength, weakness, opportunities and threats of the business firms. The firms should perform their obligations for the customer satisfaction to understand their customer demands, create-customer centric culture, put themselves in customer’s shoes, always lead with empathy, always ask and act for feedback, respond their reviews, provide omni-channel support, respond quickly, provide pro-act support, practice active listening, create customer loyalty program as well as offer customer self-service. Communication between decision makers and employees should be improved so as to encourage continuous flow of information and smooth relationship. its tasks. firms is necessary to keep track of their unique service innovation service in relation to their productivity characteristics and develop them in such a way that they remain advance their competitiveness in the market. It is important for firms to control a strategic innovation process in changing the business focus their productivities to multiple functions efforts so as to enhance services, firm managers is advised to pursue service innovations through their strategic process to gain a competitive advantage, firms can take advantage of opportunities to standardize service processes and their productivities to gain a competitive advantage through training staff on service innovations, as well as business firms is essential to improve their strategic business practices by following the strategies to offer services based on service innovation processes, developing customer focus, considering resources, leveraging external resources together enhancing productivities.

## 5.5 Suggestions for Further Study

The purpose of this research study was to explore the role of the strategic management on the Ethiopian business firms' performances.. Four major themes related to this research emerged which are the firm's engagement of the implementing team, the environmental scanning process, firm's non-relevant to customer satisfaction as well as the strongest correlation existing between the firms' service innovation and productivity. for the business firms to use as strategies to sustain their business operations. Recommendations for further research provides researchers opportunities to expand the body of knowledge strategic management processes specifically the the firms' engagement for the implementing team for further participation in this study may cause generalizability challenges to apply the findings and recommendations for action to all business firms offering services while focusing more study on team capacity building and motivation in the strategic business performances will fill voids in the body of the strategic management process knowledge. Further research replicating the study with the environmental scanning in different geographic regions or industries may provide rich and deep data guiding to other strategies. The research provided documentation limited to those documents publicly available to study from primary sources of questionnaires. In future research, strategic business firm management researchers may expand on environmental scanning strategies through participation in focus groups interviews or participant observations at respondents' work sites. Analysis of data collected from this study with data collected in future research through focus groups or participant observations could facilitate triangulation. Also, business firms offering services participated through semistructured interviews for this research study about the customers. Future research may include customers of the business firms when they offered services on the spot so that they could participate in a focus group to expand on strategic service innovation strategies further Understanding critical service innovation strategies from customers' perspectives through a focus group and observing vigorously in relation to the firms' productivity over the implementing staffs engagement in this study research to establish triangulation. Limitations discussed in this research study offer recommendations for future research in examining the role of strategic management on the business firms' performances. Further research may contribute through replicating the study with participants from other market outside the country. Future research may explore the perspectives other than the strategic management processes that can influence firms' business performances. Additional research may involve other primary data sources, such as focus group interviews or participant observations at respondent working places with their customers to explore the firms' strategic business performances.

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# APPENDEX - I

## Questionnaire

**Dear Respondents**

I am among the students who are preparing a research in fulfillment of the requirements for the degree of Doctor of Philosophy in Strategic Management at Selinus University . and I am undertaking research on entitled the role of strategic Management on the Ethiopian Business firm's performances. To this end, I am collecting data from people working in the business firms. With this ambition you have been selected as a valuable participant for the achievement of the research.

Hence, in order for the research to provide valid results, it is important that your active participation and answer all questions as honestly, timely and truthfully as possible. It is solely for PhD Dissertations and responses will remain anonymous and confidential. For more information, you can contact at any time you needed through my address;

Tel: +251991717781

E-mail: fertun2005@yahoo.com.

Thank you for your willingness and Iam highly appreciated for your participation in this Research.

## I- Demographic information

**1. Sex:**

Male ☐

Female ☐

**2. Age:**

18-25 ☐

25-35 ☐

35-45 ☐

☐

45-55

55 and above

**3. Education level**

Diploma

Degree

Master

PhD

**4. Work experience:**

Below 5 years

5-10 years

10-15 years

15-20 years

20 and above years

## II- Brief Question and Answers

1. What is your firm's name?

   ______________________________

2. What is your position in the firm?

   ______________________________

3. What is your firm's budget?

   ______________________________

4. How many regular employees does your firm has?

   ______________________________

5. What kind of business function formally exist in your firm?

   ______________________________

6. How long has your firm been operating?

   ______________________________

7. How much is your firm's annual income?

   ______________________________

8. How do you explain firm's basic strategy?

_______________________________________________

9. How is the involvement of stakeholders in your firm's the strategy management process?___________________________________________

10. What are the common challenges of your firm in the strategic management process?___________________________________________

11. What measures do you recommend to improve the strategic management system of the firm?___________________________________

12. How do senior managers measure the performance of the firm strategically?

___________________________________________________

**III- Expressing the extent of your agreement with respect to as of the following statements by marking 'X' in the box of your choice.**

1=strongly agree, 2=agree, 3=moderately agree, 4=Disagree, and 5=strongly disagree

| TASK DESCRIPTION | Strongly agree (1) | Agree (2) | Normal (3) | Dis-agree (4) | Strongly dis-agree (5) |
|---|---|---|---|---|---|
| ***INDEPENDENT VARIABLES OF THE STRATEGY MANAGEMENT PROCESS*** | | | | | |
| ***1. ENVIROMENTAL SCANNING*** | | | | | |
| Conduct situational analysis of the firm | | | | | |
| Perform analysis and forecasting of the firm's relevant markets and economy | | | | | |
| Carried out acquisition and application of information about firm's environment | | | | | |
| identifying the main issues affecting organizations by helping to detect SWOT | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| ***2. STRATEGY FORMULATION*** | | | | | |
| The firm developed long term plans to address effectively with environmental opportunities and threats | | | | | |
| Articulated appropriate mission, vision and a set of long term objectives | | | | | |
| The firm conducted action plan | | | | | |
| The firm carried out gap analysis and value assessment | | | | | |
| Prepared strategy design | | | | | |
| ***3. STRATEGY IMPLEMENTATION*** | | | | | |
| The firm made sure the created strategies actually work in practice | | | | | |
| The firm Set and communicate the strategic goals | | | | | |
| The firm effectively engage the implementing team | | | | | |
| Sufficient resources allocated for implementation of the firm's tasks | | | | | |
| Manager's support affects implementation of strategic plan. | | | | | |
| Completely executed and shared the firm's planned scope | | | | | |
| 4. ***STRATEGY MONITERING AND EVALUATION*** | | | | | |
| The firm conducted monitoring to ensure that the chosen strategy achieves the desired objectives | | | | | |
| The firm undertaken performance evaluation if it is exactly in line with the strategic plan | | | | | |
| The firm reviews strategic management decisions | | | | | |
| The firm conducts evaluation on regular basis and undertakes corrective action on timely basis | | | | | |
| ***DEPENDENT VARIABLES OF THE FIRM PERFORMANCES*** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The firm's strategy management help to utilize the Resource properly | | | | | |
| The firm's strategy management provides the required Innovation of services | | | | | |
| The firm's strategy management promotes Customer Satisfaction | | | | | |
| The firm's strategy management enhances the Service quality | | | | | |
| The firm's strategy management increases Productivity | | | | | |
| The firm's strategy management helps firm's Performance to finish works on the planned time | | | | | |
| The firm's strategy management enables firm's Performance to achieve works per the allocated cost | | | | | |

**III- Yes or No nominal scale questions**

1. Did the responder took place firm's strategic plan ?
2. Did the responder actively participate firm's strategy monitoring and evaluation?

## Appendix II: list of the studied 50 Ethiopian Business Firms

| Sno | Business firm | Formed year | Remark |
|---|---|---|---|
| 1 | Salini Impregelo | 2014 | |
| 2 | Heineken Breweries | 1993 | |
| 3 | BGI Ethiopia | 1998 | |
| 4 | Sur Business firm | 1992 | |
| 5 | Dangote Cement | 2015 | 2015 started in Ethiopian |
| 6 | East African bottling | 1996 | |
| 7 | Ethiopian sugar corporation | 2010 | |
| 8 | MOHA soft drinks | 1996 | |
| 9 | Hamza business firm | 2003 | |
| 10 | Hamid Trading | 1999 | |
| 11 | Bedele Brewery | 1993 | |
| 12 | Nyala Motors | 1973 | |
| 13 | Messebo Cement | 1997 | |
| 14 | Harar breweries | 1984 | |
| 15 | Marathon Motors | 2009 | |
| 16 | Selam bus line trading | 1996 | |
| 17 | Sky bus transport system | 2007 | |
| 18 | Trans Nation Airways | 2004 | |
| 19 | Maensu Business plc | 2001 | |
| 20 | Shebatra plc | 1999 | |
| 21 | FMS trading | 2010 | |
| 22 | Morningstar trading plc | 2012 | |
| 23 | Dejen Business plc | 2010 | |
| 24 | Lanchihun business plc | 2009 | |
| 25 | Woinemit trading plc | 2014 | |

| | | | |
|---|---|---|---|
| 26 | AS import and export plc | 2007 | |
| 27 | Unity import and export | 2013 | |
| 28 | Hake trading firm | 2011 | |
| 29 | Halkayan trading plc | 2008 | |
| 30 | Ambase trading house | 2015 | |
| 31 | Thermos farm trading | 1998 | |
| 32 | Hydro solution trading | 2017 | Is an agent for Sea-Land S.R. L |
| 33 | Alkane chemical plc | 2015 | |
| 34 | Grant thorton Ethiopia | 2011 | |
| 35 | BDO Ethiopia | 2017 | |
| 36 | Ydhar Asset Valuation plc | 2005 | |
| 37 | SARIA consultancy firm | 2012 | |
| 38 | Topclass consultant firm | 2009 | |
| 39 | Onestop investment services | 2014 | |
| 40 | SOLITUDE consultant firm | 2008 | |
| 41 | METI trading plc | 2010 | |
| 42 | Alfarag trading plc | 2012 | |
| 43 | Kadisco business firm | 2017 | |
| 44 | Equatorial business group | 2009 | |
| 45 | Testi Trading plc | 2014 | |
| 46 | Metahara sugar corporation | 2011 | |
| 47 | Jatray General trading | 2013 | |
| 48 | Baro oil Ethiopia | 2005 | |
| 49 | Warka trading house | 2018 | |
| 50 | Guji Coffee export | 2007 | |