Strategic Management Practice on Performance of Small and Medium Enterprises

(The Case of Gullele Sub City, Addis Ababa, Ethiopia)

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ABSTRACT

The aim of conducting this research was to determine the effect of strategy formulation, implementation and evaluation on the performance of small and medium enterprises. *To carry out this study, the researchers have used a descriptive and explanatory research design to determine the relationship and effect of strategic management (strategy formulation, implementation, and evaluation) on performance. The study targeted 152* small and medium enterprises *(SMEs) and from these 50* small and medium enterprises (*SMEs) were determined as a sample but out of which 4 respondents did not return the questionnaire. Stratified probability sampling method was applied and data were collected from 46 SME managers through structured questionnaire using 5-point Likert scale. Primary data have been edited, classified, organized and coded to get descriptive and inferential statistics outputs using a professional software called Statistical Package for Social Science (SPSS) version 19. Regression analysis was done to determine the effect of strategy formulation, implementation and evaluation on performance and correlation analysis was also conducted to determine the relationship between strategy formulation, implementation, evaluation and performance through inferential statistics. Finally, the finding shows that strategic management practice had a positive effect on performance. However, the only variable that affected performance was strategy implementation. Based on the findings, the researchers have recommended that all enterprises should have a written strategic intent, get training from strategic management consultants/ strategists, involve in training programs prepared by the authorities regarding enterprises and actively engaged in strategic management practice to increase their profit, output, market share, customer satisfaction and reduction of waste.*

Keywords: Strategy Formulation, Implementation, Evaluation, Small and Medium Enterprises

1. INTRODUCTION

Strategic management encompasses the formulation, implementation, and evaluation of strategies aimed at achieving organizational goals. For SMEs, these practices are vital for navigating the complexities of their operational environments. Empirical studies indicate that strategic management enhances decision-making, resource allocation, and long-term planning—key elements for gaining a competitive edge (Hitt et al., 2017). Unlike larger firms, SMEs often adopt

less formal or structured approaches to strategic management due to limited resources; even essential strategic planning can significantly impact performance outcomes (Gică & Balint, 2012).

Strategic planning is one of the most extensively studied aspects of strategic management. Research consistently demonstrates that SMEs engaged in formalized strategic planning tend to outperform those that do not. For example, Wang et al. (2007) found that SMEs with clearly defined strategic plans experienced greater sales growth and profitability compared to those without such plans. Similarly, Gică and Balint (2012) showed a positive correlation between strategic planning and operational efficiency as well as market adaptability in SMEs.

The Addis Ababa city administration's SMEs development bureau (Debela, n.d.) highlights the significance of the SME sector in achieving various socio-economic objectives, including employment growth, output increase, export promotion, and entrepreneurship fostering. SMEs are essential for expanding manufacturing and industrialization across the country, serving as the backbone of the economy by supplying inputs and raw materials to larger enterprises. Njeru (2015) elaborated on how SMEs actively participate in formulating vision and mission statements, conducting environmental analyses to identify opportunities and weaknesses, establishing long-term objectives, and formulating strategies to enhance their performance.

In Ethiopia, SMEs play a crucial role in job creation and the production of goods and services. Although Degefu (2007) examined the performance impact of mission statements in large Ethiopian enterprises, he did not focus on strategic management practices as a whole or their effects on SMEs. There is a lack of empirical evidence regarding the collective impact of strategic management practices on the performance of SMEs, both in Ethiopia and globally.

This research aims to fill the gap by investigating the effects of strategic management practices on the performance of SMEs in Ethiopia. The variability in the extent to which SMEs practice strategic management and take strategic actions is influenced by differing definitions and criteria for SMEs across countries. For instance, the Ethiopian Ministry of Trade and Investment defines small businesses as those employing between six and thirty individuals. Therefore, this study seeks to determine the significance of strategic management practices on SME performance, identifying strategy formulation, implementation, and evaluation as independent variables, with performance as the dependent variable. The researchers employed subjective measures of performance, including profit, market share, output production, customer satisfaction, and waste reduction.

The primary objective of this research is to evaluate the overall impact of strategic management practices on the performance of SMEs in Gullele sub-city, Addis Ababa, Ethiopia. The specific objectives include:

1. To assess the effect of strategy formulation on SME performance.
2. To evaluate the impact of strategy implementation on SME performance.
3. To investigate the influence of strategy evaluation on SME performance.

2. REVIEW OF RELATED LITERATURE

2.1.Theoretical Review

The concept of strategic management has its roots in military strategy, where leaders sought to outmaneuver their opponents through superior planning and resource allocation. The transition to a business context occurred in the mid-20th century, with scholars such as Chandler (1962) emphasizing the importance of aligning strategy with organizational structure. Chandler's seminal work, “Strategy and Structure”, argued that "structure follows strategy," highlighting the necessity of designing organizational frameworks that support strategic objectives.

In the 1970s and 1980s, strategic management gained prominence as a formalized discipline through the contributions of scholars like Ansoff (1965) and Porter (1980). Ansoff introduced the concept of strategic planning, advocating for systematic approaches to setting objectives and allocating resources. Meanwhile, Porter developed the Five Forces Framework, which remains a cornerstone of competitive analysis. These foundational works established strategic management as a tool for navigating complex business environments.

2.2. Core Components of Strategic Management

Strategic management is often conceptualized as a process comprising three primary stages: strategy formulation, strategy implementation, and strategy evaluation (David & David, 2017). Each stage plays a vital role in ensuring the effectiveness of an organization's strategic initiatives.

1. **Strategy Formulation**: This phase involves defining an organization's vision, mission, and objectives while conducting external and internal analyses. Tools such as SWOT analysis

(strengths, weaknesses, opportunities, threats) and PESTEL analysis (political, economic, social, technological, environmental, legal) are commonly employed to identify opportunities and threats in the external environment (Hill et al., 2014).

2. **Strategy Implementation**: Translating strategy into actionable plans is a critical challenge for organizations. Mintzberg (1994) emphasized that strategy is not always a linear process but often emerges through iterative learning and adaptation. Effective implementation requires aligning organizational resources, leadership commitment, and employee engagement.
3. **Strategy Evaluation**: The final stage involves assessing the outcomes of strategic initiatives to determine their success and identify areas for improvement. Kaplan and Norton (1996) introduced the Balanced Scorecard as a tool for measuring performance across financial and non-financial dimensions, enabling organizations to track progress toward strategic goals.

2.3. Defining Business Performance

Business performance is a multidimensional construct that evaluates how well an organization achieves its objectives. According to Kaplan and Norton (1996), performance can be assessed through financial and non-financial measures, including profitability, revenue growth, customer retention, and employee satisfaction. These metrics are often interdependent, requiring a holistic approach to performance evaluation.

The concept of business performance has evolved over time. Early studies focused primarily on financial metrics such as return on investment (ROI) and net profit margins (Chakravarthy, 1986). However, contemporary research emphasizes the importance of non-financial indicators, such as innovation capability and stakeholder engagement, as these factors contribute to long-term sustainability (Neely et al., 2002).

2.4.Empirical Literature Review

(Lawal et al. 2012) studied about the effect of strategic issue management on organisational performance. The finding drawn shows that strategic issue management activities provide enormous opportunities to firm such as increase in profit making, building and maintaining a good reputation, increase in sales return and achieving corporate goals. According to Yunus (2010) Strategic management practices and organization performance in small business enterprises goes together, but most Small business enterprises place less emphasis on making effective strategy for

improved performance. Majama & Israel (2017) studied Strategic Planning in Small and Medium Enterprises (SMEs) a Case Study of Botswana SMEs. Using semi-structured interviews of 36 Small and Medium firms selected across several sectors, the study finds that strategic planning efforts do exist within SMEs but most of these firms engage in strategic planning activities to a limited extent. Omsa, Ridwan, & Jayadi (2017) studied the effect of strategic management practices on SME Performances in Makassar, Indonesia, and found that strategic management practice had a significant impact the dependent variables (sales volume and profit). But, strategy formulation did not affect profit and sales volume. Njeru (2015) studied strategic management practices and the performance of small and medium sized enterprises in Kenya. The study found that that top one hundred SMEs had adopted strategic management practices in relation to situational analysis, strategy formulation, implementation and evaluation. Muogbo (2013) investigated the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State. Results from the analysis indicated that strategic management is not common among the manufacturing firms in Anambra State.

2.5. Conceptual Framework

A conceptual framework plays a vital role in research. It helps to clearly outline the key elements of the study. Specifically, it identifies the independent and dependent variables. These variables are determined and defined by the researchers.

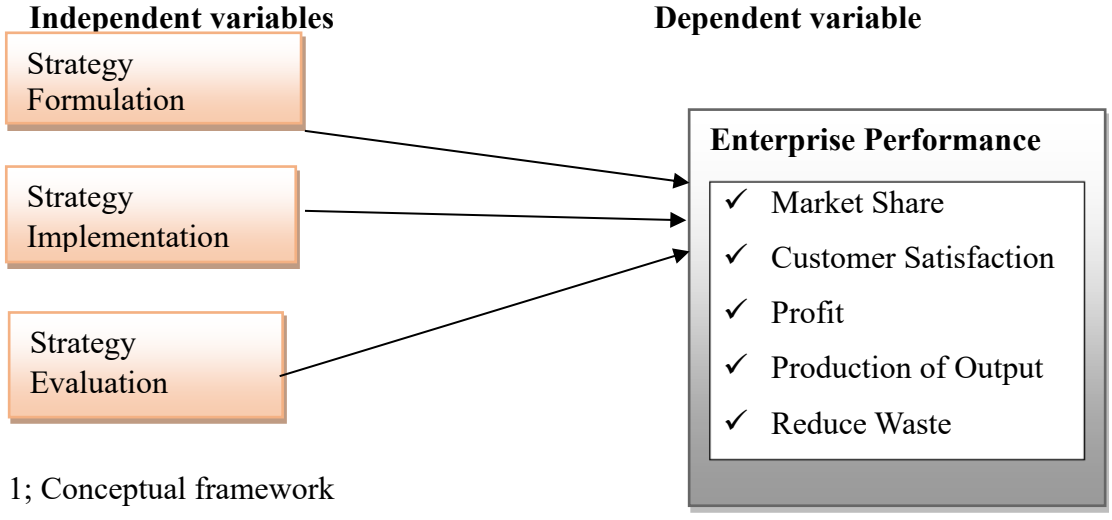

Fig 1; Conceptual framework

Source, Our Determination

The above framework shows the independent variables (strategy formulation, Strategy implementation and Strategy evaluation) in the left side that comprises different indicators/measurements and the dependent variable (performance) in the right side of the figure. To measure performance/dependent variable profit, market share, waste reduction, volume of output and customer satisfaction were used as an indicator.

2.6.**Hypothesis Formulation**

A hypothesis is a tentative assumption that the researcherss are going to formulate based on the previous study's findings. Thus, for this study, three hypotheses were formulated based on the evidence of strategic management practice (strategy formulation, implementation and evaluation) on performance SMEs. For example, as Yunus (2010) studied, even small enterprises give less attention on formulating effective strategy; there is a positive and significant relationship between strategic management and performance. Omsa, Ridwan and Jayadi (2017) studied and found that strategic management has a positive and significant effect on performance (profit, sales volume and breakeven point). Nyarki (2013) also investigated about the existence of positive relationship between strategic management and competitive advantage. Accordingly, the following were the hypothesis formulated by the researchers for this study.

H1: Strategy formulation has a positive and significant effect on the performance of small and medium enterprises.

H2: Strategy implementation has a positive and significant effect on the performance of small and medium enterprises.

H3: Strategy evaluation has a positive and significant effect on the performance of small and medium enterprises.

3. **RESEARCH METHODS**

3.1. Research Design

This study utilized an associative research design with a quantitative approach. According to Kuncoro (2003), associative research examines the correlation between two or more variables to determine the existence of an association. The data collected for this study is quantitative, obtained through primary sources using questionnaires.

3.2.Target Population

The target population for this study were managers that are found in different sectors of the enterprise in each SME in Gullele sub city, Addis Ababa. According to the statistics given to the researchers by Gullele sub city SMEs administration office, there were 152 registered and licensed SMEs in Gullele sub city. From these 31 were small availed and 121 were medium enterprises.

3.3.Sampling Technique

The sampling technique used was stratified random sampling method. This require first dividing the population into mutually exclusive groups/strata based on homogeneity or similar characteristics; in this case manufacturing, construction, service; agriculture and trade are the strata or groups based on the type of enterprise. Then random samples were drawn from each group after the researchers decided the number of samples would be taken from each stratum.

3.4.Sample Size Determination

From the target population of 152, 50 SME managers were selected as respondents. According to Carvalho's (1984) predetermined sample table, a sample size of 50 enterprises is appropriate for populations ranging from 151 to 280, and the researchers utilized the proportions of the strata until the sample size was reached.

Table 1; Predetermined sample size table by Carvalho (1984)

Population size	**Small**	**Medium**	**Large**
51- 90	5	13	20
91- 150	8	20	32
151- 280	13	32	50
281-500	20	50	80
501-1 , 200	32	80	125
1 , 201-3 , 200	50	125	200
3 , 201-10 , 000	80	200	315
10 , 001-35 , 000	125	315	500
35 , 001-150 , 000	200	500	800

Source: adopted from Carvalho (1984)

Therefore, based on Carvalho (1984) sample size determination method, for this study to increase the accuracy of the data, a large sample size is preferred with a range of target population (151-280) and a sample size of 50. For this study the target population was 152 enterprises and the sample size became 50 managers of SMEs but 4 respondents did not return the questionnaire, and the researchers made an analysis using 46 mangers' responses.

3.5.Source Of Data and Collection Methods

The researchers have utilized a five-point Likert scale questionnaire to ask respondents to express their opinion on given statements, and managers had stated their opinion using a five-point likert scale of extent/degree to practice strategic management and its effect on performance

3.6.Method of Data Analysis

The analysis tool employed in this research was SPSS software version 19.0, with reliability, validity, and normality tests conducted prior to data processing. Descriptive statistics analysis was conducted to describe and analyze the practice of strategic management using frequency, percentage, mean value and standard deviation and inferential statistics was used to determine the effect of strategic management practice (strategy formulation, implementation and evaluation) on the performance of SMEs using correlation and regression analysis.

3.7.Measurement of Variables

To measure performance, the researchers identified three key variables, which are strategy formulation, implementation and evaluation as an independent variable measured by 5-point Likert scale in which 5 indicates very large extent, 4-large extent, 3-moderate extent, 2-small extent, and 1- not at all. The scale shows to what extent strategy is formulated, implemented and evaluated. All the questions related with both the dependent and independent variables of this study were prepared using a Likert scale in the form of ordinal scale. But for the sake of simplicity of the analysis, the variables transformed into an interval scale that led to obtaining a single number to decide the extent of strategic management practice based on Al-Sayaad et al. (2006) which summarized in Table 2 as follows.

Table 2. Measurement of Variables Using Likert Scale Criterion

No	Variable	Scaled Likert Criterion		
		Mean Range	**Response option**	**Interpretation**
1.	Independent	1.00 to 1.80	Very small extent	Very low practice
		1.81 to 2.60	Small extent	Low practice
		2.61 to 3.40	Moderate extent	Medium practice
		3.41 to 4.20	Large extent	Good practice
		4.21 to 5.00	Very large extent	High practice
2.	Dependent	1.00 to 1.80	Very small extent	Very low performance
		1.81 to 2.60	Small extent	Low performance
		2.61 to 3.40	Moderate extent	Moderate performance
		3.41 to 4.20	Large extent	Good performance
		4.21 to 5.00	Very large extent	High performance

Source: Al-Sayaad et al. (2006)

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

The researchers conducted descriptive statistics on performance, strategy formulation, implementation, and evaluation using mean values and standard deviations using 46 samples. Out of 50 samples, 4 owner mangers did not respond the questionnaire on time.

Table 3: Descriptive Statistics for Independent and Dependent Variables

Variable	**Mean**	**Standard Deviation**	**N**
Independent Variables (Strategic Management)			
Strategy Formulation	2.2	0.50	46
Strategy Implementation	2.6	0.45	46
Strategy Evaluation	1.5	0.40	46

Variable	Mean	Standard Deviation	N
Dependent Variables (Performance)			
Market Share	2.4	0.55	46
Customer Satisfaction	2.5	0.50	46
Profit	2.0	0.60	46
Production Output	2.1	0.55	46
Waste Reduction	1.6	0.45	46

Source, SPSS Output

The data in the above table reveals that SMEs exhibit limited adoption of strategic management practices, which impacts their overall performance. The mean scores for strategy formulation (2.2), implementation (2.6), and evaluation (1.5) indicate that while SMEs engage in some level of strategic planning and execution, their efforts are often incomplete or ineffective. Strategy implementation scores slightly higher than formulation, suggesting that SMEs prioritize execution over planning. However, the very low score for strategy evaluation highlights a critical gap in monitoring and assessing performance, limiting SMEs' ability to optimize their operations. Similarly, the dependent variables show moderate to low performance, with mean scores of 2.4 for market share, 2.5 for customer satisfaction, 2.0 for profit, 2.1 for production output, and 1.6 for waste reduction. These scores reflect challenges in expanding market presence, improving customer satisfaction, achieving financial stability, enhancing operational efficiency, and adopting sustainable practices.

The low standard deviations across all variables (ranging from 0.40 to 0.60) suggest that most SMEs in the sample perform similarly, with few outliers. However, the slightly higher variability in profit and market share indicates that some SMEs are performing better than others, likely due to more effective strategic implementation and resource allocation. Overall, the data underscores the need for SMEs to strengthen their strategic management practices, particularly in evaluation and waste reduction, to drive better performance. By improving strategic planning, execution, and

monitoring processes, SMEs can enhance their market share, customer satisfaction, profitability, and operational efficiency, ultimately achieving sustainable growth.

4.2. Diagnostic Tests of Classical Linear Regression Model Assumptions

According to Gujrati (2007) the five assumption tests of CLRM focus on the error terms. These are normality, multicollinearity, autocorrelation, zero mean residual and homoscedasticity. The assumption were separately conducted and discussed below with analysis results of each assumption.

4.2.1. Normality Test

Normality test assumes that the residual has zero mean and constant variance. This test of normal distribution could be checked by graphical (histogram) method of tests. Thus, the result on the following figure indicates the mean of the residual is close to zero and its variance is 0.97 close to one which implies that the distribution of the error term is normally distributed. Therefore, the assumption was not violated.

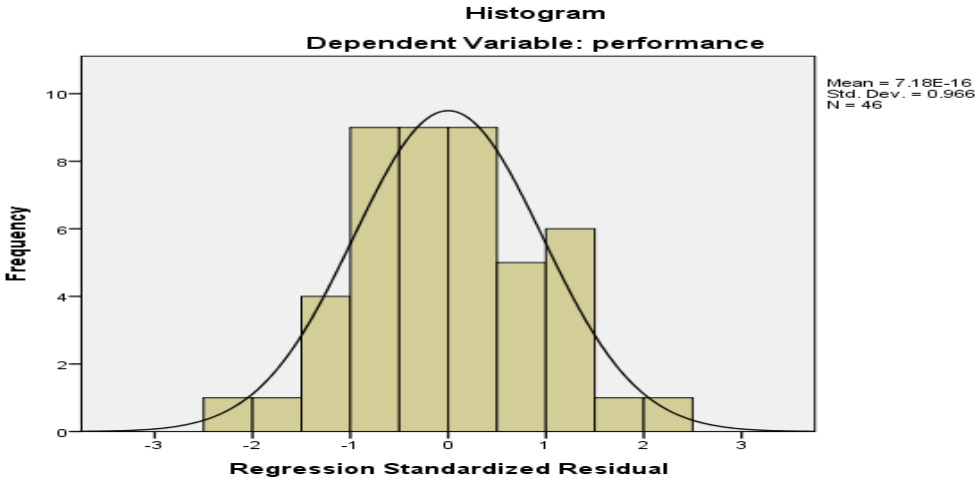

Fig 2; Normality Test **Source**, SPSS output

4.2.2. Multi - Collinearity Test

Multicollinearity refers to the situation where explanatory variables are highly inter-correlated, meaning that one can be linearly predicted from the others. Multicollinearity problem can be detected through variance inflation factor (VIF). If VIF is greater than 10 percent and tolerance is

less than 0.1, there is a possibility of multicollinearity problem and the table indicates no multicollinearity problem detected.

Table 4; Multi collinearity Test

Model	Collinearity Statistics	
	Tolerance	**VIF**
Formulation	.935	1.070
Implementation	.889s	1.125
Evaluation	.859	1.164

Source, SPSS output

4.2.3. Autocorrelation Test

If the Durbin-Watson statistic is approximately 2, and found between acceptable ranges of 1.50 - 2.50. As the table indicates, the DW test is approaching to 2 therefore, there is no autocorrelation problem.

Table 5; Autocorrelation test

Model	Durbin-Watson
1	1.910[a]
a. Predictors: (Constant), evaluation, formulation, implementation	
b. Dependent Variable: performance	

Source, SPSS output

4.2.4. Homoscedasticity Test

This assumption assumed that the variance of the errors is the same/constant. The researchers applied a scatter plot diagram technique standardized residuals (ZRESID) against the standardized predicted values (ZPRED) in SPSS.

As per this assumption, if the predicted values increase, the variation in the residuals should be roughly similar /the same. If the dots have a pattern like a funnel or curve shape, there is a possibility of a heteroscedasticity problem but in this case, the graph looks like a random array of dots. So, the model is homoscedastic.

As the figure indicated below shows, there is no pattern or shape of the residual, thus, this assumption is not violated.

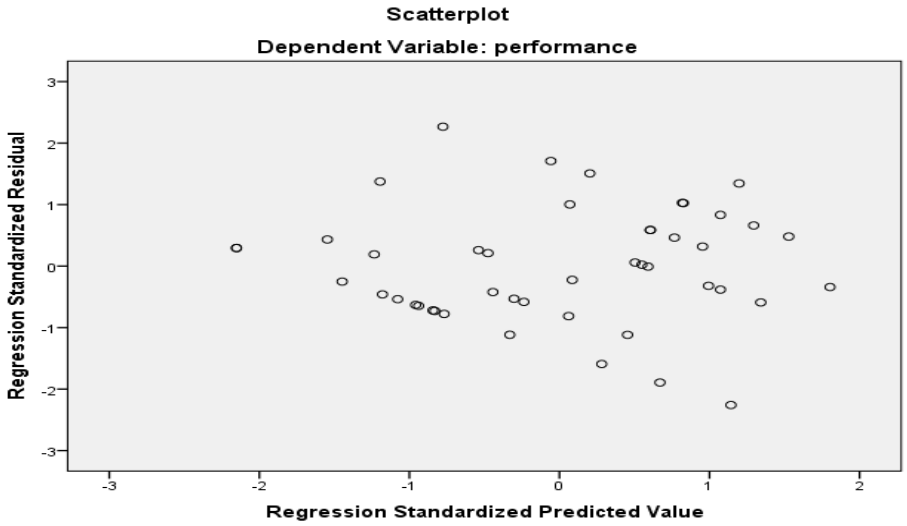

Figure 3; Homoscedasticity test **Source,** SPSS output

4.3. Inferential Statistics

Inferential statistics consists of procedures used to make inferences about population characteristics from information contained in a sample drawn from the population. Inferential statistics includes methods like hypothesis testing, which is based on probability value. The main objective of inferential statistics is to make inferences (that is, draw conclusions, make predictions, make decisions) about the characteristics of a population from information contained in a sample (Kothari, 2004).

4.3.1. Correlation Analysis

According to Brooks (2008) the correlation between two variables measures the degree or extent of linear association between those two variables. In correlation, there is no independent and dependent variable identified; rather, it states whether the two variables move in the same direction or not. Thus, it is not implied that a change in the independent variable causes a change in the dependent variable. The correlation coefficient is used to determine the strength/relationship between variables. According to Ratner (n.d.), the classification of the strength of relationship is based on the following table.

Table 6; Correlation analysis

		Performance
Performance	Pearson Correlation	1
	Sig. (1-tailed)	
	N	46
Formulation	Pearson Correlation	.249*
	Sig. (1-tailed)	.047
	N	46
Implementation	Pearson Correlation	.524**
	Sig. (1-tailed)	.000
	N	46
Evaluation	Pearson Correlation	.349**
	Sig. (1-tailed)	.009
*correlation is significant at the 0.05 level (1- tailed) **correlation is significant at the 0.01 level (1- tailed)		

Source, SPSS output

4.3.2. Regression Analysis

Regression analysis is concerned with describing and evaluating the effect of one or more independent variables on a single dependent variable. In regression there has to be clear difference between independent and dependent variables. The sign, magnitude and coefficients are very important in regression to evaluate the effect of independent variables on dependent variables (Brooks, 2008). For this study the researchers used a multiple regression analysis model that can present the independent variables and the dependent variable.

4.3.3. Model Summary

In the model summary, the point R tells us the sign/direction and magnitude/strength of the relationship between strategic management practice and performance of SMEs. R is used and noted as a correlation coefficient that can state the overall relationship between independent and dependent variables. R square shows by how much the dependent variable is explained by the independent variables or the variability of the dependent variable when the value of the independent variable's changes, whereas the adjusted R-squared gives the percentage of variation explained by only those independent variables that in reality affect the dependent variable. When we add an independent variable to a regression model, the value of R-squared increases, even if the independent variable is insignificant, it never declines. But the value of adjusted R-squared

increases only when predictor/independent variable is significant and can affects the dependent variable (Gujrati, 2007).

Table 7; Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.573	.328	.280	.33833	.328	6.836	3	42	.001
a. Dependent variable: performance									
b. Predictors: (constant), formulation, implementation, evaluation									

Source, SPSS output

As we can see from the above table R/correlation coefficient of the model was 0.57. Therefore, this implies that there is a moderate/medium relationship between strategic management practice and performance of SMEs. And R square value is 0.33, this shows that variability of the dependent variable/ performance was explained by 33% of the independent variable/ strategy implementation. As we can observe from the regression model coefficients table strategy formulation and evaluation had statistically insignificant effect on performance. So in this study the only explanatory variable was strategy implementation. But according to different authors R-square does not explain the power of the independent/explanatory variables even its value is inflated since it might contain insignificant variable to the model. So to determine whether the model is good /goodness of fit, we depend up on the values of adjusted R square, because adjusted R square tells us the explanatory powers of the independent variables determined by the researchers. Hence, from the table adjusted R square shows that performance is explained by 28% of the independent variable/only strategy implementation and the remaining 72% showed unexplained factors. As per the researchers understanding the reason why adjusted R square becomes low was due to that, performance of SMEs could be explained by other factors instead of strategy formulation and evaluation.

4.3.4. ANOVA

The ANOVA table below had to present a model; with regression and residual sum of squares, degree of freedom, F- statistics and the corresponding exact significant level /p-value. In ANOVA, the F statistic must be used in combination with the p value when we are deciding the overall results are significant. If we have a significant result, it doesn't mean that *all* the variables are significant. The statistic is just comparing the joint effect of all the variables together.

Therefore: 1**. Does the model is statistically significant?**

Yes: The model is statistically significant, and so that overall strategic management practice had a significant effect on performance since F- statistics is 6.84 with a p- value of 0.001, this indicates, the model is statistically significant and as a result the model has contained an explanatory variable which was significant at 1%. Meaning that strategic management practice have been significantly affect performance at 1% of significance level.

Table 8; Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.347	3	.782	6.836	.001
	Residual	4.807	42	.114		
	Total	7.155	45			
a. Dependent variable: performance						
b. Predictors: (constant), formulation, implementation, evaluation						

Source, SPSS result

4.3.5. Model coefficients

The regression coefficient analysis table below consists of five columns. The first column is about variables of strategic management practice, second column is about unstandardized coefficients, the third column standardized coefficients, the fourth column is about the T- statistics and the fifth one is about the exact p-value in which strategic management practice becomes statistically significant. In this study, the researchers used the unstandardized coefficients to explain the magnitude of the relationship. A positive or negative sign indicates the nature/direction of the

relationship. Whereas, p- value under sig. The column indicates the statistical significance or probability of the model providing a wrong prediction/conclusion.

Table 9; Regression model coefficients

		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.632	.433		1.459	.152
	Formulation	.140	.134	.137	1.046	.301
	implementation	.432	.130	.447	3.328	.002
	Evaluation	.163	.129	.172	1.260	.215
a. Dependent Variable: performance						

Source, SPSS output

The following is a multiple regression model determined using coefficients of the independent variables and the constant term.

Performance (P) = $\beta_0 + \beta_1 SF + \beta_2 SI + \beta_3 SE + e$

➔ $P = 0.63 + 0.14(SF) + 0.43(SI) + 0.16(SE) + e$

Where: P= Performance

β_0 = Intercept/constant term

SF= Strategy Formulation

SI= Strategy Implementation

SE= Strategy Evaluation

e = error (Residual) and β_1- β_3 = Coefficients of the independent variables.

From the above table the constant term 0.63 indicates a mean score of performance of SMEs if all other independent variables are constant. But on average the constant term can increase or decrease by a standard error of 0.43. From the model strategy, implementation has a coefficient of 0.43 with a standard error of 0.13 at the true significant level of 0.002. This shows that there is a positive and significant effect of strategy implementation on performance. Other explanatory variables held constant, a unit change in the mean score of implementation increases the mean score of performance on average by 0.43 and statistically significant at 1% since $p< 0.01$. Except for implementation other variables, which are strategy formulation and evaluation, show statistically insignificant or simply these two variables did not have a statistically significant impact on

performance since their p-value is greater than the significance level determined by the researchers in advance. This means even though there is a positive coefficient of strategy formulation and evaluation obtained, they did not significantly affect performance because their p- p-value is 0.30 and 0.22 respectively; it is greater than the significance level of 0.05.

5. CONCLUSION

The study examined the impact of strategic management practices, specifically strategy formulation, implementation, and evaluation on the performance of small and medium enterprises (SMEs) in Gullele Sub-City, Addis Ababa. The motivation for this research stemmed from the lack of prior investigations on this particular topic within the country. The findings indicate that, overall, strategic management practices have a statistically significant and positive effect on SME performance, as demonstrated by the F-test results. However, when analyzing the individual components of strategic management, only strategy implementation was found to have a significant and positive impact on performance. Consequently, the second hypothesis, which stated that strategy implementation positively influences SME performance, was supported by the researchers. In contrast, strategy formulation and strategy evaluation did not exhibit a statistically significant effect on performance, leading to the rejection of the first and third hypotheses. These results suggest that while developing and assessing strategies are important managerial activities, their direct impact on SME performance may be limited unless effectively implemented. The study highlights the crucial role of strategy implementation in enhancing business performance, emphasizing the need for SMEs to focus on practical execution rather than merely formulating and evaluating strategies. These findings provide valuable insights for SME owners, managers, and policymakers, suggesting that greater attention should be given to the execution phase of strategic management to improve business outcomes.

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