

# Role of Strategic Management Practices to the Organizational Performance of Small and Medium Enterprises in Barmm Region, Philippines

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DOI: <https://doi.org/10.51244/IJRSI.2025.12040044>

Received: 27 March 2025; Accepted: 03 April 2025; Published: 06 May 2025

## ABSTRACT

This study explores the role of strategic management practices on the performance of small and medium-sized enterprises (SMEs) in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), Philippines. In a competitive and rapidly changing business environment, effective strategic management is crucial for the growth and sustainability of SMEs. Using a quantitative descriptive-survey approach, the study evaluates key strategic management practices—environmental scanning, strategy formulation, implementation, and evaluation—along with organizational performance, specifically Return on Investment (ROI). A sample of 150 SMEs in BARMM was selected through simple random sampling, and data was gathered via a structured questionnaire. The study found that 68% of respondents were male, with 84% being business owners. In terms of education, 58% had college degrees, 30% held master's or PhD qualifications, and 12% were non-graduates. The findings revealed that most firms engage in regular environmental scanning, align their strategies with organizational goals, and effectively implement and evaluate those strategies. Additionally, a majority of respondents reported high ROI, with many businesses seeing improvements over time. The results highlight the positive relationship between strategic management and organizational performance, aligning with previous research conducted in Nigeria, Somalia, and Kenya. This research underscores the importance of strategic management in enhancing the competitiveness and sustainability of SMEs, particularly in regions like BARMM, which face economic challenges.

**Keywords:** Strategic management practices, Organizational performance, Small and medium-sized enterprises (SMEs).

## INTRODUCTION

Strategic management plays a vital role in ensuring the survival and growth of both small and medium-sized enterprises (SMEs) as well as larger businesses. A key reality in the business world is that, to succeed and remain competitive in the 21st century, a company must develop an effective and unique corporate strategy (Lampub, 2017). The ability to develop and implement a competitive strategy has become a crucial factor in determining a company's success. Agwu (2018) emphasizes that businesses must establish and execute practical strategic plans, along with understanding their purpose, in order to enhance their performance. Strategy has long been recognized as a series of interconnected steps designed to solve specific challenges, and it remains a key source of competitive advantage across various sectors (Kraja & Osmani, 2013).

Strategic management methods are often seen as complex, collaborative approaches. When analyzing the business environment and defining a company's goals and vision, identifying strategies and techniques to improve organizational performance is essential to maintaining competitiveness (Anyoso & Mang'ana, 2022). Historically, a company's ability to stay afloat was directly tied to the effectiveness of its strategy. The strategy of a business shapes the utilization of its internal resources, and therefore, influences its financial position within the market (Muriuki et al., 2017). The concept of business strategy originated from military strategy, borrowing terms such as offensive and defensive tactics, game plans, and strategic positions (Jenelyn & Fernando, 2022).

Organizations employ various strategic management methods based on decision-makers' understanding of the firm's strategy and the areas that need attention. For example, Branislav (2014) argued that these areas include strategy formulation, execution, and evaluation. Koech and Were (2016) suggested that strategy development should focus on goal-setting, execution, monitoring, and assessment. SMEs are essential to the economy but face challenges in sustaining their operations due to the highly competitive and volatile environment they operate in (Sandada, 2015). Dansoh (2005) and Adeyemi et al. (2017) noted that strategic management practices are crucial for businesses to navigate competition and the disruptions it causes. In developing nations like Nigeria, where SMEs represent 97% of businesses, employ 50% of the workforce, and contribute to 50% of industrial output, strategic management is particularly critical (Joseph et al., 2021; Eniola & Ektebang, 2014).

In the Philippines, SMEs have been significantly affected, particularly after the economic downturn caused by the COVID-19 pandemic. A survey conducted by the International Trade Centre (2020) revealed that approximately 68% of Filipino businesses were strongly affected by the pandemic, with 88% experiencing sales declines. Additionally, an Asian Development Bank (2021) survey found that over 70% of micro, small, and medium-sized enterprises (MSMEs) in the Philippines were forced to close temporarily due to the pandemic. Although the Philippine economy has entered the recovery phase, MSMEs continue to struggle with reduced demand and earnings (Shinozaki & Rao, 2021). This study aims to address the knowledge gap regarding the challenges faced by MSMEs in the Philippines, with a focus on the BARMM Region. The goal is to examine the role of strategic management practices on SMEs in this region.

### Operational/Definition of Key Terms

**Strategic management practices** refer to the systematic activities that a business undertakes to plan, implement, and evaluate strategies aimed at achieving its long-term objectives.

**Organizational performance** refers to the measurement of a business's success in achieving its set objectives, particularly in areas such as profitability, efficiency, and growth. It is often assessed through various financial and non-financial indicators.

**Environmental scanning** refers to the process by which a business collects and analyzes relevant information from both its internal and external environments. This includes continuously monitoring changes in the market, technological advancements, and other external factors, and sharing critical environmental information with key personnel in the organization. It is used to guide decision-making and strategic direction by identifying emerging opportunities and potential threats in the market or community.

**Strategy formulation** involves the development of strategic plans and actions that are aligned with the business's mission, vision, and the specific context of its operating environment in the BARMM region. This process includes the regular use of SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to guide strategic planning and decision-making. It also involves identifying and selecting appropriate strategies to address challenges, setting clear long-term objectives, and ensuring they are consistent with the company's goals within the regional context.

**Strategy implementation** refers to the practical execution of the formulated strategies through the establishment of formal policy manuals, allocation of necessary resources, and providing support for the strategic initiatives. It involves ensuring that the board of directors and staff are involved and adequately supported to achieve strategic goals. Additionally, it ensures that the organizational structure is aligned with and facilitates the effective implementation of strategic plans.

**Strategy evaluation** refers to the ongoing process of assessing the effectiveness of implemented strategies. It involves measuring whether the business's strategic initiatives are meeting their set objectives and communicating the results to key stakeholders. This includes taking corrective actions when necessary, adapting strategies based on evaluation outcomes, and making adjustments to improve performance and alignment with the business's long-term goals.

**Return on Investment (ROI)** refers to the financial metric used to evaluate the effectiveness of a business's investment decisions. It involves the business striving to achieve optimal returns from its investments, as measured by a comparison of net profits to the invested capital.

## METHODS

### Research Design

This study employs a quantitative approach, utilizing a descriptive-survey research design to evaluate the current strategic management practices of small and medium-sized enterprises (SMEs) in the BARMM Region, Philippines. The quantitative approach allows for the collection of numerical data, which can be statistically analyzed to identify patterns, trends, and relationships, providing a more objective and reliable basis for conclusions. It focuses on aspects such as environmental scanning, strategy formulation, implementation, and evaluation, along with assessing the organizational performance of these businesses in terms of return on investment. The descriptive-survey research design is particularly advantageous because it enables the researcher to gather data from a large sample in a cost-effective manner, offering a snapshot of the SMEs' practices and performance. This method also allows for an in-depth understanding of the respondents' views and behaviors, making it an ideal design for this study.

### Research Respondents

The small and medium-sized businesses (SMEs) were chosen using a straightforward random sampling technique. According to the Philippines Statistics Agency (PSA), a company is considered small if it employs 10–99 people, and medium if it employs 100–199 people. However, the Magna Carta for Small and Medium Enterprises (SMEs) states that an enterprise is considered small if its asset value is between Php 3,000,001 and Php 15,000,000, and medium if its asset size is between Php 15,000,0001 and Php 100,000,000, according to the Philippines Commission on Women. This is the standard by which small and medium-sized businesses are chosen to take part in this research. Records were acquired by the researcher from the BARMM Region's four provinces, one city, and the Department of Trade and Industry's Business Permits and Licensing Office.

The respondents, also referred to as samples (Neuman, 204), were purposefully chosen through the sampling method and are chosen workers from small and medium-sized businesses in the BARMM Region, irrespective of their age or gender.

### Locale of Study

The Bangsamoro Autonomous Region in Muslim Mindanao, Philippines, specifically Cotabato City, Maguindanao Del Norte, and Maguindanao Del Sur, was the site of the investigation because of its major economic activity.

### Research Instruments

The researcher individually distributed a questionnaire as part of the study's data collection process to ascertain the relationship between strategic management practices and business performance. The surveys were modified from another research. The survey on organizational performance and strategic management practices was modified from the earlier study of (Ekon, Bassey, Bamnet, and Isayas, 2021).

### Issues on the Validity of Instruments

The modified survey questionnaire was reviewed at each stage of the study by three experts. Two of the experts hold Doctoral degrees in Business Administration, while one validator is an experienced professional from the business industry. The evaluation focused on content validity and provided an opportunity to refine and improve the questions.

## RESULTS AND DISCUSSION

According to the survey, 32 percent of the representatives of the sampled firms are women, and 68 percent are men. As seen in Table 1, it was also found that 84% of the businesses are owned by their owners, with the remaining 16% being managers or other senior employees. Regarding educational background, it was found that 58 percent have a college degree, 30 percent have a master's or doctoral degree, and 12 percent have no formal education.

Table 1

Gender	Frequency	Percent
Male	102	68%
Female	48	32%
Total	150	100%
Position	Frequency	Percent
Owners	126	84%
Managers/Senior Staff	24	16%
Total	150	100%
Educational Attainment	Frequency	Percent
College Degree Holder	87	58%
Master or PhD Degree Holder	45	30%
Non-Graduate	18	12%
Total	150	100%

### Status of strategic management practices of small and medium enterprises in terms of Environmental Scanning, Strategy Formulation, Strategy Implementation, and Strategy Evaluation

The majority of respondents indicated a "very high" rating, meaning that the company consistently gathers environmental data, monitors key information, and communicates this to relevant individuals within the organization. Respondents also agreed that the company uses environmental scanning to guide its future direction and to identify opportunities and threats in the surrounding environment. Similarly, the points related to strategy formulation were widely accepted, suggesting that the organization aligns its strategies with its mission and objectives, regularly conducts SWOT analysis, sets long-term goals, and selects effective strategies to address future challenges.

In terms of strategy execution, most respondents strongly agreed that the organization maintains a policy manual, supports the board of directors and employees in implementing strategic initiatives, and ensures the effective execution of strategic plans. Additionally, the majority agreed that the organization communicates assessment results to stakeholders, tailors its ongoing evaluation practices to its strategic initiatives, takes corrective actions to improve strategic initiatives, and remains adaptable in creating or modifying strategies based on evaluations.

Table 2 Strategic Management Practices

	Mean	Interpretation
<b>Environmental Scanning</b>	<b>4.30</b>	<b>Very High</b>
The business gathers relevant information about events and developments from both its internal and external environment.	4.52	Very High

The business consistently monitors and shares important environmental information with key personnel within the organization.	4.25	Very High
Environmental scanning is utilized by the business to guide its future direction and decision-making.	3.84	High
The business scans its surroundings to identify emerging opportunities and potential threats in the market or community.	4.60	Very High
<b>Strategy Formulation</b>	<b>4.30</b>	<b>Very High</b>
The business formulates strategies that align with its mission, vision, and local context within BARMM.	4.47	Very High
The business regularly conducts SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to inform strategic planning.	4.13	High
The business identifies and selects appropriate strategic responses to address key challenges faced in its operating environment.	4.08	High
The business sets clear, long-term objectives that reflect its vision and goals in the context of the BARMM region.	4.54	Very High
<b>Strategy Implementation</b>	<b>4.34</b>	<b>Very High</b>
The business ensures the presence of a formal policy manual to guide strategic operations.	4.11	High
The business provides the necessary resources and support for the implementation of strategic initiatives by the board of directors.	3.99	High
The business ensures that staff members are adequately supported and involved in the implementation of strategic initiatives.	4.59	Very High
The current organizational structure supports and facilitates the effective execution of strategic plans and initiatives.	4.69	Very High
<b>Strategy Evaluation</b>	<b>4.05</b>	<b>High</b>
The business communicates the results of its strategy evaluation to key stakeholders and relevant parties.	4.10	High
Ongoing evaluation practices are customized to align with the business's specific strategic initiatives and objectives.	4.09	High
The business takes corrective actions when strategic initiatives are not meeting objectives or require improvement.	3.89	High
The business focuses on adapting or creating new strategies based on the evaluation and feedback of initial strategies, adjusting as needed for better performance.	4.13	High

### Legends

Range of Mean	Description	Interpretation
4.20-5.00	Very High	Strategic Management Practices is always manifested.
3.40-4.19	High	Strategic Management Practices is often times manifested.
2.60-3.39	Moderate	Strategic Management Practices is fairly manifested
1.80-2.59	Low	Strategic Management Practices is rarely manifested.
1.00-1.79	Very Low	Strategic Management Practices is not manifested at all.



## Status of organization Performance of small and medium enterprises in BARMM Region, Philippines in terms of: Return on Investment

The results presented in Table 3 indicate that a majority of respondents agreed that the organization consistently achieves high returns on investment, with this year's ROI exceeding that of previous years. Additionally, respondents agreed that the organization's ROI is higher than the industry's average, and that the business is effective in making investment decisions and actions. These findings are consistent with previous studies on the subject. In particular, the results align with research by Verreynne and Meyer (2007), Njeru (2015), Karendi (2015), and Ikaharehon and Briggs (2016), which highlighted the positive and significant effect of strategic management on organizational performance in Nigeria. Furthermore, these findings are supported by studies conducted outside Nigeria, such as those by Galad, Abdullah, and Basir (2015) in Mogadishu, Somalia, and Muriuki et al. (2017) in Kenya, which both concluded that strategic management is vital for improving organizational performance.

Table 3 Organization Performance

	Mean	Interpretation
<b>Return on Investment</b>	<b>4.36</b>	<b>Very High</b>
The business strives to achieve optimal returns on its investments.	4.04	High
The business's ROI for the current year surpasses that of previous years.	4.27	Very High
The business's ROI exceeds the average ROI within its industry or sector.	4.64	Very High
The business demonstrates efficiency in its investment decisions and actions, ensuring effective use of resources.	4.48	Very High

### Legends

Range of Mean	Description	Interpretation
4.20-5.00	Very High	Organization Performance is always manifested.
3.40-4.19	High	Organization Performance is often times manifested.
2.60-3.39	Moderate	Organization Performance is fairly manifested
1.80-2.59	Low	Organization Performance is rarely manifested.
1.00-1.79	Very Low	Organization Performance is not manifested at all.

## SUMMARY OF FINDINGS

The study employed a descriptive-survey research method to examine the strategic management practices and organizational performance of small and medium-sized enterprises (SMEs) in the BARMM Region, Philippines.

The results indicated that 68% of the respondents were male, while 32% were female. In terms of roles, 84% were business owners, and 16% held managerial or senior positions. Regarding education, 58% had completed a college degree, 30% had obtained a master's or PhD, and 12% were non-graduates.

A majority of respondents reported that their businesses consistently gather and monitor environmental data to identify opportunities and threats in the market. Both business owners and managers agreed on the importance of strategy formulation, noting that their companies align strategies with organizational goals, conduct regular SWOT analyses, set long-term objectives, and choose appropriate methods to address future challenges. Additionally, most respondents confirmed that their businesses maintain a policy handbook, provide support to boards and employees in executing strategic plans, and regularly update stakeholders on progress.

Furthermore, companies tailor their ongoing evaluation processes, take corrective actions to enhance strategic initiatives, and adjust strategies to meet emerging challenges.

The study also revealed that most respondents agreed that their companies achieved high returns on investment (ROI), with the current year's ROI surpassing previous years, exceeding the industry average, and demonstrating efficiency in investment decisions and actions.

The findings are in line with previous research that underscores the positive and significant impact of strategic management on organizational performance. The results support studies conducted by Verreynne and Meyer (2007), Njeru (2015), Karende (2015), and Ikaharehon and Briggs (2016) in Nigeria, as well as international research by Galad, Abdullah, and Basir (2015) in Somalia and Muriuki et al. (2017) in Kenya, all of which highlight the critical role of strategic management in improving organizational performance.

## CONCLUSION

Strategic management is increasingly recognized by experts as a vital approach for ensuring that organizations sustain growth, adapt, and maintain competitiveness in their respective industries. It involves the formulation, execution, and assessment of decisions across various functions and management levels to help organizations achieve their goals and objectives. The responsibility for strategic management largely falls on top management, who must position the organization effectively within its business environment to ensure success and protect it from unforeseen challenges. Strategic management is essential for organizations seeking growth, expansion, and a competitive advantage, while also working to align actual performance with expected outcomes.

This study provides empirical evidence showing that strategic management practices, including environmental scanning, strategy formulation, implementation, and evaluation, are strongly linked to and positively impact organizational performance.

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