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Strategic Management Determinants of Business Performance Among Small and Medium-Sized Enterprises: Evidence from a Quantitative Survey

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ABSTRACT

Small and medium-sized enterprises (SMEs) contribute substantially to employment, entrepreneurship, innovation, and economic development, but their performance is often constrained by limited resources, market volatility, financial pressure, and managerial challenges. This study examined the strategic management determinants of business performance among SMEs using a quantitative cross-sectional survey design. Secondary survey data consisting of 197 complete observations and 14 Likert-scale items were analyzed. Three construct groups were treated as independent strategic management determinants, while one construct group represented SME business performance. Data were screened for missing values, invalid responses, and duplicate patterns. Descriptive statistics, Cronbach's alpha reliability testing, Pearson correlation analysis, and multiple linear regression were conducted. The dataset showed no missing or invalid values, and all constructs demonstrated acceptable internal consistency, with Cronbach's alpha values ranging from 0.811 to 0.870. All three strategic management determinants were positively correlated with business performance, with the strongest association observed for Strategic Management Determinant 3. The regression model was statistically significant and explained 61.7% of the variance in business performance. Strategic Management Determinant 3 was the strongest predictor, followed by Determinant 1 and Determinant 2. The findings indicate that coordinated strategic management practices significantly contribute to SME business performance and provide evidence for strengthening managerial decision-making, performance monitoring, and strategic planning among SMEs.

KEYWORDS: Small and Medium-Sized Enterprises, Strategic Management, Business Performance, Quantitative Survey, SME Performance

1. Introduction

Small and medium-sized enterprises (SMEs) play a critical role in economic development in terms of their role in employment, market participation, entrepreneurship, innovation, and local income generation. Their performance is still relevant and a research issue because of the fact that SMEs are generally faced with limited resources, fluctuating markets, financial stress, uncertainty of operation, and constraints of the managers. Whereas larger firms often have formal decision-making processes and routines, and a more formal approach when using resources, SMEs often rely on flexibility in decisions and in the capabilities of the owner-manager, informal planning processes, and the use of resources in an adaptive way to gain a competitive edge. What makes business performance is not just one thing in particular, but there is a combination of strategic orientation, technological preparedness, leadership, market responsiveness, innovation practices, and operational management. Thus, the managerial and strategic determinants that enhance the performance of SMEs in various economic environments have been gaining more attention in recent SME literature (Qalati et al., 2020).

Digital transformation is one of the most noticeable factors of SME competitiveness, especially in a digital environment where communication, transactions, customer engagement platforms, and decision-making are increasingly based on data. By implementing digital tools, SMEs can gain benefits in terms of market reach, brand visibility, customer relationships, and efficiency. Digital transformation also reshapes marketing activities, value proposition designs, and consumer behavior responses of SMEs. The strategic significance of digitalisation is not just about the technology itself, but also how digital tools can be incorporated in the overall management processes and performance of the firm (Ziółkowska, 2021).

In addition, social media marketing has become a significant avenue for the growth of SMEs, particularly in emerging economies where companies can leverage low-cost digital platforms to enhance customer engagement, market presence, and brand building. However, leadership commitment and managerial buy-in are essential to the effectiveness of these tools, and it is not always the case that it meets long-term business goals. The adoption of social media can be used as a means to foster sustainable business growth when it is used as a tool for strategic decision making, customer engagement, and organizational learning, instead of being used as a marketing tool (Chatterjee et al., 2021). Based on the above evidence, it can be concluded that the value of digital engagement is related to the SME's capability for relational social commerce and competitive advantage as well.

Strategic management in SMEs is also tied to the concept of dynamic capabilities, which is defined as the capacity of enterprises to sense opportunities, configure resources, react to market shocks, and reconfigure methods in different environments. In the COVID-19 era, dynamic capabilities became an essential trait of an SME as it was necessary to adapt quickly to supply disruption, demand instability, and digital operating. Adaptive companies were more likely to perform well in uncertain times (Dejardin et al., 2023). Strategic leadership also enhances this process by ensuring resources are aligned, innovative, learned, and responsive in an organization, which would make leadership an important antecedent of dynamic capability development and SME performance (Quansah et al., 2022).

Other factors, such as financial and technological, are also important for the long-term performance of SMEs and business sustainability. The adoption of digital services could help SMEs to enhance their financial monitoring, transaction productivity, customer access, and business continuity, especially when supported by financial capability and business planning goals. Based on the current market SME, it can be concluded that the financial and technological aspects have a positive impact on the performance and sustainability of traditional market SMEs (Kurniasari et al., 2023). Innovation practices and market orientation are also critical in improving the performance of SMEs as they allow companies to respond to customers' needs, differentiate products, and cope with competition. These benefits may be limited because of innovation barriers, such as resource shortages and limited managerial capacity (Rahman et al., 2023).

However, operational management is still another critical factor of SME performance. For instance, inventory management impacts cost control, product availability, cash flow, and customer satisfaction. Effective and efficient inventory management can help improve performance, whereas ineffective inventory management can cause inefficiencies that affect productivity and profitability (Panigrahi et al., 2024). Information technology strategic planning is also increasingly involved in SME performance as it is necessary to align technology investments with the business objectives, the organizational capabilities, and the implementation capacity (Molete et al., 2025).

It is also revealed from the current scholarship that SME performance research has grown to cover several areas of performance, such as business models, innovation, sustainability, digitalization, and strategic management; as a result of this, it is suggested that the field of enterprise performance has become multidimensional, meaning that enterprise success can be viewed from different angles. The results of this systematic evidence also indicate that the outcomes of SMEs are influenced by the synergistic effect of managerial, financial, technological, market, and organizational conditions rather than by individual conditions (Malesu & Syrovátka, 2025). Given this background, the present study analysed the strategic management determinants of business performance of SMEs, based on quantitative survey data. This study targeted the relations of three constructs of strategic management determinant with business performance, to see if the three constructs of strategic management determinant have a significant and simultaneous contribution to the business performance of SMEs.

Objectives of the study:

- 1.To assess the descriptive profile of strategic management determinants and SME business performance.
- 2.To examine the relationships between strategic management determinants and SME business performance.
- 3.To determine the predictive effect of strategic management determinants on SME business performance.

2. Methodology

2.1 Research Design

The research adopted a quantitative and cross-sectional approach to study the effect of determinants of strategic management on the business performance of SMEs. The quantitative approach was used because the study involved numerical responses in the surveys and the use of statistical analysis in the evaluation of relationships between the study variables. A cross-sectional design allowed the evaluation of strategic management-related constructs and business performance at one time.

2.2 Data Source and Sample

It was a secondary data analysis from a survey on SME business performance (Suryawardani et al., 2026). The sample comprised 197 complete data points and 14 Likert scale items. The unit of analysis was the SME representative in the data set. The data were deemed appropriate to the study as they included several constructs that were grouped together as predictors and one construct as a business performance outcome, which enabled quantitative analysis of the relationship between the strategic management determinants and SME business performance.

2.3 Variables and Measurement

The data analyzed consisted of four main construct groups. Three groups of constructs were used as independent variables (strategic management determinants), and one construct group was used as a dependent variable (business performance). Four items (X1P1-X1P4) were used to assess the first strategic management determinant. Three items (X2P1, X2P2, X2P3) were used to assess the second determinant. Four items (X3P1 - X3P4) were used as a measure of the third determinant. Three items (YP1 – YP3) were used to measure business performance. All items were rated on a 5-point Likert scale. Items within each construct were averaged to create the composite score.

2.4 Data Preparation

Before statistical analysis, the data were screened. Data was checked for missing values, double entries, incorrect answers, and answers that were not within the range of the Likert scale. There were no missing values in the dataset. The constructs of the item groups were then arranged in the following order: There are composite variables, one for each independent construct and one for the dependent construct for business performance. This process ensured that analyzing the data was done at the construct level and not at the individual level.

2.5 Reliability and Validity Assessment

Cronbach's alpha was used for the constructs to evaluate the internal consistency reliability. This procedure was employed to ascertain whether the items of each construct measured a similar underlying construct. The alpha of Cronbach was acceptable for quantitative survey research at 0.70 or higher. Reliability assessment provided the basis for the use of the grouped items as composite variables in further analysis by correlation and regression. Content validity was judged with respect to the organization of the database and consistency of the coded constructs of the survey with the study goal.

2.6 Statistical Analysis

Descriptive and inferential techniques were used to carry out the statistical analysis in Python. Individual items and composite variables were summarized by descriptive statistics such as mean, standard deviation, minimum, and maximum values. The relationships among

strategic management determinants and SME business performance were analyzed by Pearson correlation analysis. Then, multiple linear regression was done in Python to check the predictive role of the three determinants of strategic management on the performance of the business. The regression model focused on the dependent variable: business performance, and the three strategic management determinants were used as the independent variables. A 5% level of significance was used to determine statistical significance.

3. Results

3.1 Data Screening

There were 14 survey items and 197 observations. The variables measured were assessed on a 5-point Likert scale. Before statistical analysis, the data were checked for missing data, invalid responses, and duplicate response patterns. There were no missing values or invalid Likert-scale answers found. Twenty-nine cases were observed to have the same repeated response pattern, and these were kept as they could be a natural occurrence in Likert scale data from surveys. The data screening summary can be seen in Table 1.

Table 1. Data screening summary

Parameter	Value
Observations	197
Variables	14
Missing values	0
Invalid values	0
Minimum valid scale value	1
Maximum valid scale value	5
Exact repeated response patterns	29

3.2 Descriptive Statistics of Survey Items

All 14 items on the survey were presented in descriptive statistics. The mean scores were between 3.71 and 4.27, suggesting that the respondents overall gave positive answers to the items measured. YP3 had the lowest mean score, and X3P4 had the highest mean score. The minimum and maximum values for all items were in the intended range of the Likert scale. Table 2 shows the descriptive statistics of survey items.

Table 2. Descriptive statistics of survey items

Item	Mean	SD	Min	Max
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X1P1	4.04	0.80	1	5
X1P2	3.97	0.84	1	5
X1P3	4.02	0.84	1	5
X1P4	4.09	0.86	1	5
X2P1	3.88	0.93	1	5
X2P2	4.07	0.91	1	5
X2P3	3.94	0.88	1	5
X3P1	3.87	0.88	1	5
X3P2	3.88	0.88	1	5
X3P3	3.85	0.84	1	5
X3P4	4.27	0.74	1	5
YP1	3.88	0.93	1	5
YP2	4.09	0.86	1	5
YP3	3.71	1.00	1	5

3.3 Reliability Analysis

To determine the internal consistency of each construct, Cronbach's alpha was computed. The Cronbach's α ranged from 0.71 to 0.91 for all four constructs, and the values were acceptable to good. The best reliability value was for Strategic Management Determinant 1, and Business Performance had an acceptable level of reliability. The reliability of the study constructs was assessed as displayed in Table 3.

Table 3. Reliability analysis

Construct	Items	Cronbach's alpha
Strategic Management Determinant 1	4	0.870
Strategic Management Determinant 2	3	0.811
Strategic Management Determinant 3	4	0.827

Business Performance	3	0.836
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3.4 Composite Variable Descriptives

Items within each construct were averaged to create composite scores. The scores for Strategic Management Determinant 1, 3, and 2 were 4.03, 3.97, and 3.96, respectively, while the score for Business Performance was 3.89. In general, the values given were positive in all independent and dependent constructs. The mean composite scores of the constructs of the study are shown in Figure 1. Table 4 shows the composite variable descriptives.

Table 4. Composite variable descriptives

Composite variable	Mean	SD	Min	Max
Strategic Management Determinant 1	4.03	0.71	1	5
Strategic Management Determinant 2	3.96	0.77	1	5
Strategic Management Determinant 3	3.97	0.68	1	5
Business Performance	3.89	0.81	1	5

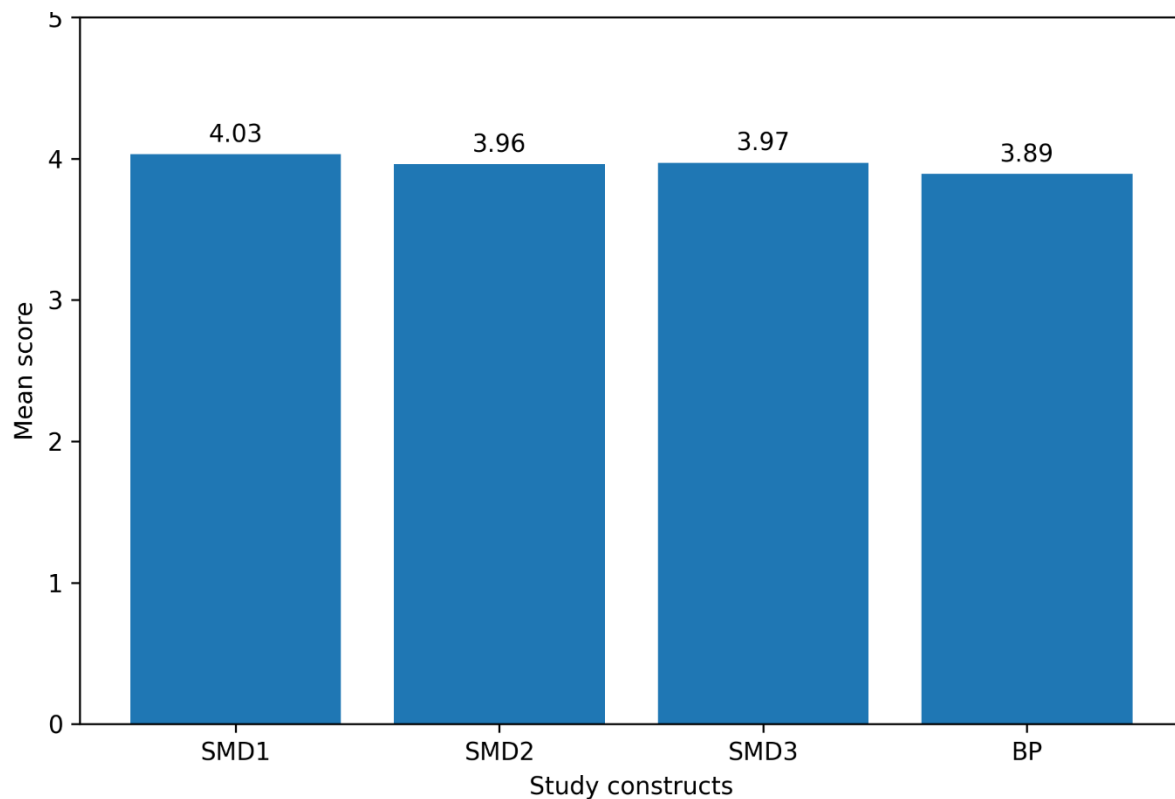


Figure 1. Mean Composite Scores of Study Constructs

3.5 Correlation Analysis

Pearson correlation analysis was done to explore the relationships between the composite variables. Strategic Management Determinants were positively correlated with business performance, with all three determinants reflecting the same. Strategic Management Determinant 3 had the highest correlation with business performance, followed by Strategic Management Determinant 1 and Strategic Management Determinant 2. There were medium to high correlations between the independent variables that did not suggest significant overlap. The pattern of correlation among constructs of the study is shown in Figure 2. Table 5 shows the Pearson correlation matrix.

Table 5. Pearson correlation matrix

Variable	SMD1	SMD2	SMD3	BP
SMD1	1.000	0.634	0.627	0.640
SMD2	0.634	1.000	0.640	0.612
SMD3	0.627	0.640	1.000	0.748
BP	0.640	0.612	0.748	1.000

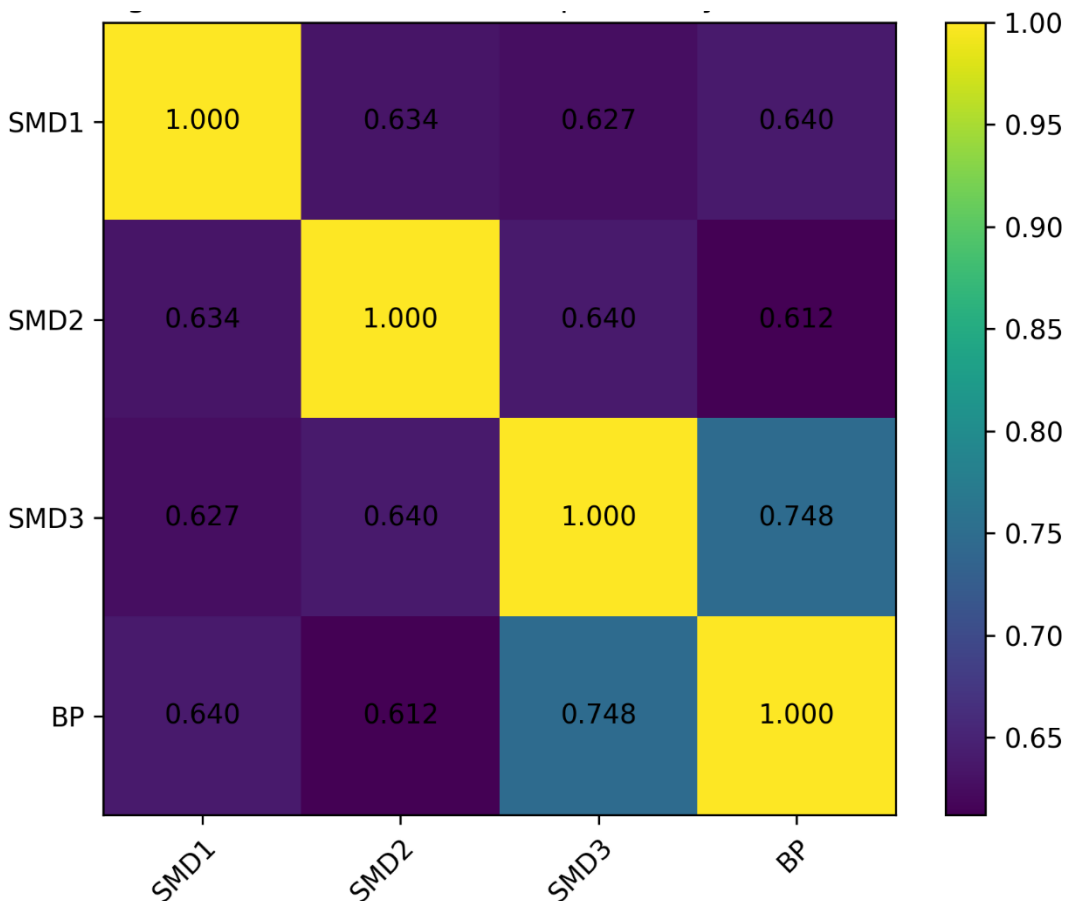


Figure 2. Correlation Heatmap of Study Constructs

3.6 Regression Analysis and Hypothesis Testing

The results of multiple linear regression yielded a significant model ($R^2 = 0.617$ and adjusted $R^2 = 0.611$), which means that the three determinants accounted for 61.7% of the variance in business performance. The effects of all the predictors were positive and significant. The most powerful strategic management determinant was determinant 3 ($\beta = 0.518$), followed by determinant 1 ($\beta = 0.229$) and determinant 2 ($\beta = 0.142$).

$$\text{Business Performance} = -0.160 + 0.261(\text{SMD1}) + 0.142(\text{SMD2}) + 0.615(\text{SMD3})$$

Figure 3 shows the standardised regression effects on business performance.

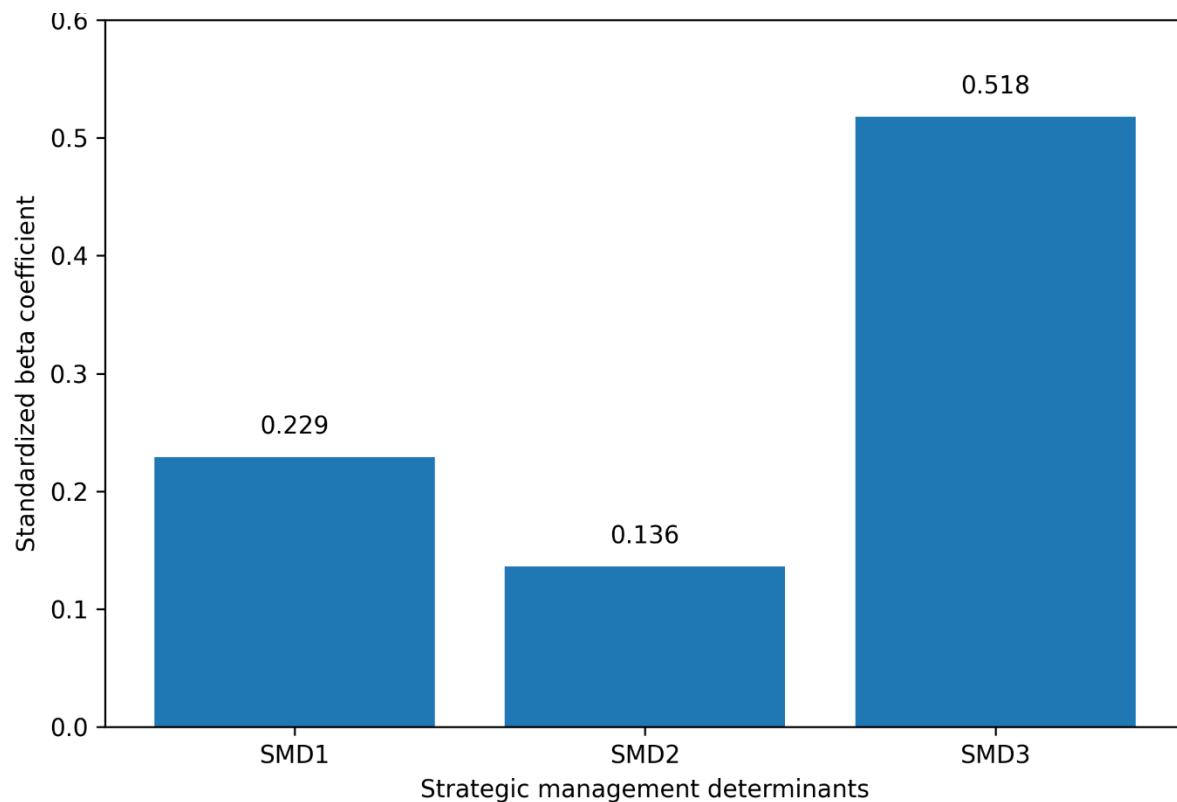


Figure 3. Standardized Regression Effects on Business Performance

4. Discussion

The quantitative survey data of the present study revealed that strategic management determinants affect small and medium-sized enterprises' business performance. The results revealed that all three strategic management determinants were positively related to the business performance of SMEs, and the regression model was able to account for 61.7% of the variance. The level of explanatory power suggests that there are important management-related determinants of SME outcomes. Strategic Management Determinant 3 had the greatest impact, with Determinant 1 and Determinant 2 having the next greatest impact. Based on these findings, it can be inferred that coordinated managerial practices, as opposed to isolated operational practices, affect SME performance.

The role of financial discipline, financial planning, and financial managerial control in SMEs can explain the positive relationship between the strategic management determinants and business performance. Small and medium businesses are often constrained in terms of financial requirements, income streams, and access to funding from outside the business. Consequently, internal financial management is becoming a key factor of survival and growth. Good management can help maximize cash-flow tracking, cost management, and resource allocation, ultimately leading to increased profitability and operational stability. The results are in line with previous studies, which have shown that good cash-flow management significantly influences SMEs' financial performance, especially in situations where there is a need to carefully manage liquidity and growth needs of the firms (Nasimiyu & Kamau, 2023).

The positive effects found in this study are also explained with the help of the digital and

market-oriented capabilities. The use of digital tools to communicate, market, and track market trends is a growing trend for SMEs. Digital marketing can enhance sales performance, customer retention, and visibility when it's part of a comprehensive strategic management. The results are consistent with the studies that showed that digital marketing improves SME performance in strengthening customer engagement and positioning in new markets (Deku et al., 2024). This underlines the need for internal management to be complemented by effective interactions with external markets for the success of SMEs.

Strategic Management Determinant 3 has a greater influence, indicating that it could reflect implementation, adaptation, or performance monitoring capabilities. SMEs frequently need strategies that are practical and can be implemented by the businesses to achieve tangible results, such as increased productivity, tracking of performance, and managerial feedback. The different levels of predictor strength suggest that not all strategic practices are equally effective in enhancing performance. This is backed by the fact that research has highlighted the significance of performance management practices in enhancing the productivity and performance outcomes of SMEs (Jones et al., 2024).

Innovation strategy is also used to gain insight into the findings. This becomes more relevant for SMEs that have introduced innovation in services, digital processes, and customer-oriented changes. Service innovation, digital processes, and customer-oriented changes are most relevant for SMEs in dynamic markets. Strategic management determinants can improve performance by making the firms flexible and fit to the changing customer needs. This is in line with evidence that highlights that digital service innovation strategies have a strong impact on SME performance if they are embedded in the organization's strategy (Mora-Esquivel & Leiva, 2025).

The results of the reliability analysis also reinforced those of the study. Cronbach's alpha values were obtained for all constructs, and acceptable values were obtained for all of them, which shows internal consistency. In SME research, the performance is usually measured by subjective measures, and reliable measurement is essential. The results suggest that the constructs used were suitable for regression analysis. This is consistent with the literature that emphasizes the role of digital accounting in helping the performance of MSMEs to become sustainable (Hasbolah et al., 2021).

The positive regression results also highlight the importance of communication and customer engagement strategies. The so-called 'one-to-one marketing' is best achieved by implementing a strategy of integrated marketing communication, which allows SMEs to align their promotions with results that can be quantifiable, including customer acquisition and sales growth. Results indicate that combined strategic initiatives result in more favorable performance results. This aligns with the findings of Sharma et al. (2024), which indicates that IMC has a positive influence on SME performance due to its linkage of IMC activities with business performance.

Another relationship that is important is human capital. The capabilities, knowledge, and flexibility of SME owners and employees are the key to strategic management. Human capital strength of the firm is a better predictor of their ability to plan, execute strategies, and address issues. The results corroborate the hypothesis that managerial and workforce skills are significant in determining the performance of the SMEs (Musthafa et al., 2024).

Although the study has made contributions, it has weaknesses. Specific determinants could not be interpreted due to the use of coded variables without detailed information. Data were limited to only one time point in the cross-sectional design, and self-reported data potentially added to the bias. However, the study revealed that the strategic management determinants have a significant effect on SME performance. Future research needs to follow the same trend of understanding causal relationships using well-defined constructs, sector-appropriate samples, and longitudinal designs. This is corroborated by the latest research that digital marketing remains an essential element in the performance of SMEs in the contemporary digital context (Sharabati et al., 2024).

5. Conclusion

The strategic management determinants were important factors that affected business performance in SMEs. The results indicated that all three determinants significantly and positively affected the performance of SMEs, with the results of regression analysis indicating that all three determinants accounted for 61.7% of the variability of the SME business performance. There was evidence that some managerial factors were more important in predicting performance outcomes than others: Strategic Management Determinant 3 was the strongest predictor, followed by Determinant 1 and Determinant 2. The findings indicate that the cooperative strategic practices, good management systems, and decision-making processes oriented to performance benefited the SMEs. Constructs used in the study were also internally consistent and appropriate for quantitative analysis, as confirmed by the reliability analysis. The results, although limited to coded variables and not detailed, offer a valuable indication of the importance of the role of strategic management factors in the performance of SMEs. Robust causal interpretations and a better understanding of how strategic management contributes to the competitiveness and sustainability of SMEs would be achieved by using clearly defined constructs, larger samples by sector, and longitudinal designs in future studies.

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