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The Effect of Strategic Management Practices on the institutional Performance; the case of Dedebit credit and saving institution in Eastern Tigray

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Abstract

Strategic management was first originated in military affairs and has been accepted into the business sector as an important management tool in response to an unpredictable, tumultuous and chaotic world. Strategic management allows to determine the vectors of the future development of the company with a clear setting of strategic and tactical goals of the activity. The overall purpose of the study is to study the impact of strategic management practices on the company's performance (namely, the credit and savings institution Dedebit in Eastern Tigray). This study the Effect of Strategic Management Practices among 128 sampled Dedebit credit and saving institution out of 346-targeted population at eastern Tigray. A typical sample was used to select respondents in this survey. The authors applied both quantitative and qualitative approaches. The data was collected through questionnaires and internal documents of the credit institution. Methodical tools of the study were methods of descriptive statistics and models of multiple regression. Data analysis software for social sciences (SPSS) was used to analyze the data. An empirical study shows that implementing strategic management has proven to be more complex than the design process. Most of the respondents confirmed their ability to put the strategic plans into practice and to prepare a comprehensive strategic plan. The results of the study show that most DECSI clients try to manage strategically, aligning initiatives with the strategy, fully engaging staff in strategy implementation, constantly informing staff about strategic corporate governance, monitoring strategy and implementation to adapt it to meet the challenges and realities of the time. The study also found that strategic management had a significant positive impact on organizational performance. In addition, the study found that the biggest problem with strategic management is the inability of organizations to transit the strategy to a corporate goal. Based on the findings, to create an effective strategic plan that would positively impact institutional performance, the authors recommend that strategic management decisions and the marketing environment be considered when managing savings and loan companies.

Keywords: strategic management practices, performance, DECSI, Eastern Zone.

JEL Classification: M21.

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1. Introduction

Strategy is the link between the organization and the external environment. Strategy is mirrored in the pattern of moves and approaches devised by management to produce the desired performance. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance. Thus a company's strategy is all about how management intends to grow the business, how it will build loyal clientele, how the company will outcompete rivals, how each functional piece of the business which include research and development, supply chain activities, production, sales and marketing, distribution, finance and human resources will be operated and how performance will be boosted.

The concept of strategic management carries conflicting definitions all through literature. However, a cursory observation reveals a considerable agreement on the core activities involved in 'doing'. Stonehouse et al.,

(2004) conceptualized strategic management as a set of theories and frameworks through which managers can envision and plan for the long term future of the organization as a whole.

Strategic Management can be defined as "the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objective." Strategic Management is "The on-going process of formulating, implementing and controlling broad plans guide the organizational in achieving the strategic goods given its internal and external environment". The top management has to put into consideration the available resources, and in addition, carry out an assessment of the internal and external environments in which the organization competes. Strategies are important to companies because they guide top management to set direction, focus effort, define or clarify the organization, and provide consistency or guidance in response to the environment.

Description of 'Strategic Management' portrays it as a deliberate section of a different set of activities to deliver a unique mix of value as a means of gaining competitive advantage. The process, however, is influenced by both internal and external factors. Strategic management as a process therefore is increasingly being seen as a socially accomplished activity aimed at achieving some strategic goals, and built upon through actions and interaction of multiple actors or groups distributed throughout an organization (Hendry et al., 2010).

Strategic Management practices are the different approaches that a company undertakes to achieve its objectives. They entail formulation of the company's mission while including broad statements about its purpose, philosophy and goals. The company must ensure that it focuses on its areas of strength so that is does not disappoint its customers. The company also develops a company profile that reflects its internal conditions and capabilities. Companies also assess their external environment, including both the competitive and general contextual factors. They do this by coming up with strategies to beat competition. Example is the Coca-Cola industry which ventured into the production of juice drinks because of the success of the Delmonte juice products in Kenya. In addition, companies also analyze their options by matching their resources with the external environment.

The term organizational performance" is used in three time- senses - the past, present, and the future. In other words, performance can refer to something completed, or something happening now, or activities that prepares for new needs. Profitability, for example, is often regarded as the ultimate performance indicator, but it is not the actual performance. Firm's performance is the measure of standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it.

Organization's pursuit of competitive advantage starts with the development of a long term vision or 'strategic intent' (as described by Prahalad and Hamel, 1990) for the organization. This vision is fashioned upon strategic learning by the organization regarding itself (in terms of resources, competences, activities, processes, systems, culture, structure etc.) and its environment (customers, markets, suppliers, competitors etc.). This consequently feeds into an action plan for delivering an inimitable blend of value for the organization.

Organizational performance is described as an organization's ability to acquire and utilize its scarce resources and valuables as expeditiously as possible in the pursuit of its operations goals (Griffins, 2006).

1.1 Statement of the problem

Strategic management practices are important for an organization because strategy formulation activities enhance the firm's ability to prevent problems since managers who encourage subordinates attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who are aware of the needs of strategic planning. Also, group based strategic decisions are likely to be drawn from the best available alternatives.

Graphic Online (2011) Most of the key players in the savings and loans sector in Ghana have purported implementing strategic management in their quest to survive competition and grow to acquire universal banking license. A cursory observation shows some sterling performance by some of the savings and loans companies in Ghana. Among other examples, recent news in the financial sector reveals that the Bank of Ghana has just granted First Capital Plus, one of the leading savings and loans companies, a universal banking license.

Organizational performance is described as an organization's ability to acquire and utilize its scarce resources and valuables as expeditiously as possible in the pursuit of its operations goals (Griffins, 2006). Several studies have been conducted on the relationship between strategic management and organization's performance.

Graphic Online (2011). Whilst strategy may easily be identified as the defining factor, there is not enough study to support any such assertion. Again, one cannot also lose sight of the presence of other variables such as political. Therefore the need to fill this study gap by contributing to studies on The Effect of Strategic Management Practices on the organization Performance; the case of Dedebit credit and saving institution (DECSI) in Eastern Tigray raising the following research questions:

- What are the strategic management practices adopted by in the DECSI?
- What are the pitfalls of strategic management practices in the operation of DECSI?
- What is the relationship between strategic management practices & organization performance?

1.2 Objective of the study

The overall general objective of the study was The Effect of Strategic Management Practices on the organizational Performance; the case of Dedebit credit and saving institution in Eastern Tigray. Based on general Objective the following Specific objectives formulated.

1. To determine the strategic management practices adopted by in the DECSI.
2. Identify the pitfalls of strategic management in the operations of the DECSI.
3. Examine the relationship between strategic management practice & organization performance.

1.3 Scope and Limitation of the Study

The study was limited to Tigray Regional state, some selected manufacture organization to overcome the existing analyze The Effect of Strategic Management Practices on the organizational Performance; the case of Dedebit credit and saving institution in Eastern Tigray . Some do not give values to the questionnaire and some others do not return it totally.

The study is a multiple case study involving selected DECSI in eastern zone. Due to time and financial constraints, the study was limited to strategic management implementation in the various organizations that was involved in this study and its relationship to their growth.

2. Literature Review & Conceptual Framework

2.1 Concept and Definition of Strategic Management

There are many definitions of strategic defined by various authors. As pointed out by Mintzberg et al. (1998) there is no single, universally accepted definition of strategy. The early definition of strategy was provided by the American business historian, Chandler (1962) who defined strategy as determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. Thus Mintzberg (1994) portrays strategy as a plan – a direction, a guide or course of action into the future – and as a pattern, that is, consistent in behavior over time. Nag et al (2007), on the other hand considers strategy as the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

According to Kazmi, (2008), a notable ingredient that is lacking in business organizations today is strategy. Thus strategy is the master plan for any organization to achieve its goals within specified time frames. Strategy needs to be embraced to engender sustainability of competitive advantage. The overall purpose of business strategy is competitive advantage.

Strategy came into being due to competition. The whole essence of strategy planning is to enable an organization to gain a sustainable edge over its competitors. There is the basic need to leverage an organization's strength in a most efficient way over its competitors. This is the whole essence of a corporate strategy. Strategy is all about developing action plans that enables an organization to deploy its enterprising strength within its sphere of business operations. For strategy to achieve its purpose there is the need for a deep thinking. When an organization strives to maintain a superior edge over competitors, the thought pattern of one helmsman should be different. Strategic management thus involves the formulation and implementation of the major initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Nag et al., 2007).

Hunger and Wheelen (2003) describe it as a set of managerial decisions and actions that determine the long-run performance of a corporation. It includes strategy formulation, strategy implementation, and evaluation and control. It also can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (Kazmi, 2008).

However, to be more effective, Hunger and Wheelen (2003) noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques. In their opinion, Adeleke, Ogundele and Oyenuga, (2008) refer to strategic management as the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. In other works, strategic management is involved in deploying a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems.

Thompson and Strickland (2003) defined strategic management as the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans.

Further, studies on strategic management have shown that strategic management is concerned with deciding on strategy and planning how that strategy is to be put in to effect (Aluko et al, 2004). It can be thought of as having three elements within it: there is strategic choice stage which is to' do with formulation of possible courses of action, their evaluation and the choice between them (Oyedijo &Akinlabi, 2008). Finally, there is a strategic implementation stage which is to do with planning how the choice of strategy can be put into effect (Johnson & Scholes, 2002).

2.3 Strategic Management Theory

Strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation (David, 2005).

According to Raduan, Jegak, Haslinda, and Alimin (2009), strategic management theories stem mainly from the systems perspective, contingency approach and information technology approach. Following David (2005), among the common strategic management theories noted and applicable is the profit-maximizing and competition-based theory, the resource-based theory and contingency theory. The profit-maximizing and competition based theory: This theory was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place (David, 2005).

On the other hand, the resource-based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007). There is however, the contingency theory, which draws the idea that there is no one or single best way or approach to manage organizations.

2.4 Strategic Management Process

Strategic management is designed to effectively relate the organization to its environment.

Models proposed by these researchers entail strategy formulation, implementation of organizational strategy and strategic control focuses in their models. Planning strategy and environmental analysis phase are also important and most of the authors put this phase under formulation phase (David, 2005).

Generally, strategic management process can be divided into three phases, implementation and evaluation. The formulation phase is a strategy that aims at ensuring that organizations achieve their objectives (Certo and Peter, 1991). David (2005) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets. He also added that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented.

Second, is the implementation phase that initiates activities in accordance to strategic plans? This requires firms to establish objectives, devise policies, motivate employees, and allocate resources to execute formulated strategies. Without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy.

Finally, is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards. Evaluation is also done by reviewing current strategies, measuring performance and taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow. Success always creates new and different problems; complacent organizations experience demise (David, 2005).

2.5 Strategic Management and Performance

As presented earlier, strategy is the broad way in which an organization seeks to maintain or improve its performance. This is relatively enduring and unlikely to change substantially in the short term. A broad range of management research supports this contention. For example, the literature on population ecology argues that once an organization is established so its structure and overall approach, and a range of evidence indicates that organizations are relatively inert; once routines are set they are difficult to change (Freeman 2001).

The critical role of strategy on the performance of business organization cannot be overemphasized. Akpan (2002) advocates that the debate lies on the appropriateness of various approaches to the measurement of organizational performance. Simple financial measure such as return on investment, return on equity, profit margin, market share, and debt to equity, earning per share, sales growth, and asset growth are not adequate criteria on their own to evaluate the success or failure of a strategy (Akpan, 2002:26).

Recent major studies of strategic management carried out in Nigeria by Nmadu (2007) found support for the strategic management and organizational performance hypothesis. For instance the studies revealed that a SBEs corporate financial performance tends to increase with a unit increase in the level of practice of strategic management. The higher the overall level of strategic management practices by SBEs, the higher the financial performance of the SBEs expressed in terms of earning per share, profit before tax, return on capital employed, net asset, current working capital ratio, increase in relative market share, continuing addition of new product lines, and total deposits. For all the financial performance indicators used, performance tended to increased significantly as the level of strategic management increased.

On the whole strategic management can make a difference. Basically, using the strategic management approach, where managers at all levels of a business interact in planning and implementation has great behavioral consequences almost similar to those of participative decision making (David, 2005).

The relationship between strategy and performance has also been convincingly established by Hamermesh (1986) in the literature. According to Hamermesh (1986), the prescriptive school views improved performance as an explicit goal of strategy. The descriptive approaches, however, vary in the level of emphasis placed on economic performance and may consider a wide variety of outcomes (including survival, learning, etc.) in addition to, or in conjunction with, economic performance.

2.6 The Influence of Context

Strategy is usually linked with the external environment in which the firm operates. Whether formulated with specific environmental threats and opportunities in mind or emerging incrementally from within the organization much of what becomes, or is interpreted as strategy has evolved with at least some sensitivity toward the external world.

In the strategic management literature, many contingency factors have been suggested to influence strategy. Numerous summaries of the contingency literature have concluded that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance. Technology is another contingency factor which has been cited extensively as having an effect on organizational structure (Grinyer&Yasai- Ardekani, 1981). For example firms using a process technology

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are likely to be organized differently from those having a long-linked technology (Thompson, 1967). Their resulting strategies are also likely to differ (Grinyer&Yasai-Ardekani, 1981). Besides controlling for industry, it is also important to control for size. Electronic Commerce, especially electronic data interchange (EDI) was adopted by the bigger firms first. Larger firms with greater economic power and influence over their customers or suppliers have a greater incentive to link up electronically to improve service or reduce costs. The larger firms see more strategic opportunity and have more resources available to experiment. It is likely that this phenomenon has carried through to all of Electronic Commerce. Therefore, controlling for the size of firms is necessary.

Hambrick (1983) attempted to rank the importance of ten contingency variables regarding their effects on the strategy-performance relationship. The top five are: (1) user sector (consumer vs. industrial), (2) purchase frequency, (3) stage of product life cycle, (4) dollar importance of product to customer, and (5) technological change.

2.7 Elements of Organizational Performance

Organizational performance alone could be gauged in many different ways, with financial or non-financial indicators. There are several approaches to organizational performance measurement which include different stakeholders' perspectives. The Balanced Scorecard (BSC) is a performance management tool for measuring whether small-scale operational activities of a company are aligned with its large-scale objectives in terms of vision and strategy and includes four perspectives: financial, customer, internal process and innovation and learning perspective.

The financial perspective examines if company's implementation and execution of its strategy contributes to bottom-line improvement. Some of the commonly used financial measures are economic value added, revenue growth, costs, profit margins, cash flow, net operating income etc. The customer perspective defines the value proposition that an organization will apply to satisfy customers and generate more sales to the most desired customer groups. The measures should cover both the value that is delivered to the customer which may involve time, quality, performance and service, and the outcomes that arise as a result of this value proposition, such as customer satisfaction and market share. The internal process perspective focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers.

The clusters for the internal process perspective are operations management (by improving asset utilization, supply chain management), customer management (by expanding and deepening relations), innovation (by new products and services) and regulatory & social (by establishing good relations with external stakeholders). The innovation and learning perspective focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value creating internal processes.

Strategy is intended to serve as a vehicle which helps a firm be successful within its environment; that sets the organizational direction which will result in a superior competitive position within that environment. Of the many definitions of strategy, here is a rather general one from two leading strategy experts: A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

One of the more common elements in strategy definitions is the interrelationship of strategy to the changing organizational environment. In other words, a strategy is meant to help an organization adapt to a changing world. There are many conceptualizations and measurements of strategy that have been proposed in the literature. Venkatraman and Ramanujam (1986) summarized the various approaches including measures of strategic posture, generic strategies, and competitive strategy, and diversification strategy, characteristics of strategic orientation, strategic decision-making, and strategic planning.

Mintzberg (1993) also addressed this issue by identifying five general ways that strategy can be viewed (plan, ploy, pattern, position and perspective).

2.7.1 Performance measurement; in this study three outcome measures are examined to assess firm performance: profitability, revenue growth and productivity. Profitability is defined as a firm's efficiency in utilizing production factors to generate earnings (Hamann et al., 2013). Revenue growth is defined as a change in the firm's revenue from goods sold over the period (Richard et al., 2009). Productivity is defined as a total efficiency of a production process (Syverson, 2011). Profitability and revenue growth were selected due to their direct relationship to competitive advantage (Brito & Brito, 2012) and productivity was chosen because it reflects more directly the impact of management practices implementation (Birdi et al., 2008).

The performance variables use a five-point scale based on the respondent's perception, with 1 for clearly worse and 5 for clearly better than the average of competitors' performance in the last three years, period of time used to smooth eventual fluctuations in the results of the companies (Kim, Hoskisson, & Won, 2004). The judgment on the performance level was made by the respondent and recorded by the interviewer.

2.8 The Benefits and Problems of Strategic Management

Strategic management can be beneficial when an organization applies approach to strategic management which matches the situation they are in. The benefits of strategic management have been identified by several researchers including Nmadu (2007), Akingbade, (2007).

According to these researchers strategic management provides the following benefits: brings about clearer definition of objectives, providing better guidance to the entire organization, makes managers and organizational members more alert to new opportunities and threatening development, helps in overcoming risks and uncertainties and therefore contributes to organization success.

They further add that strategy increases the quality of business decisions; it creates a more proactive management posture, helps to unify the organization, and also promotes the development of a constantly evolving business model that will produce sustained profitability for the business. Basically, using the strategic management approach, where managers at all levels of a business interact in planning and implementation has great behavioral consequences almost similar to those of participative decision making (Adeleke, Ogundele and Oyenuga, 2008).

Nmadu (2007) maintain that in spite of all these benefits, the greatest persuasions for use of the strategic management approach are the financial benefit associated with successful practitioners. This includes continuing growth of rates, increase in relative market share, growth in earnings, growth in earning per share, continuing addition of new products and product lines, continuing expansions of the firm's customer's population, absence of excessive seasonal or cyclical fluctuations.

In summary, it would be stressed that strategic management has become more important to managers in recent years and defining the mission of their organization in specific terms have made it easier for managers to give their organization a sense of purpose. Moreover, organization that get involves in strategic management are better able to predict the future than others.

Researchers such as Akingbade (2007) have equally identified the following disadvantages of strategic management:

It involves a great deal of time and effort, as well as thinking about figuring out and forecasting the most important variable in a business for, say, 20years and above. The effort involved could be too much for available staff. Strategic plan can become written-in-stone that is, rigid like the Ten Commandments, whereas it is supposed to be a guide. The margin of error for a long-range environmental forecast can sometimes be quite large, as if one is forecasting profit for the next five or more years, because of the volatile nature of the economy. Also it requires a considerable investment in money and people

Some firms seem to remain at the planning stage almost perpetually, i.e. implementation and control are sometimes ignored. It also sometimes, tend to restrict the organization to the most rational and risk-free opportunities, since managers might with t6 develop only those goals that could survive the detached analysis of strategic management, while attractive opportunities that involves high degree of uncertainty or that are difficult to analyze might be avoided or over-looked.

Ansoff et al (1965) on the other hand outlined the following reasons as responsible for failure of strategic plans: failure to understand the customer, inadequate or incorrect marketing research, inability to predict environment reaction, price wars, over-estimation of resource competence, staff and equipment inability to handle the new strategy, failure to develop new employee and management skills.

2.9 Limitations of strategic management

Hamel coined the term strategic convergence to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that successful strategies are imitated by firms that do not understand that for a strategy to work, it must account for the specifics of each situation (Hamel and Prahalad

2002). But in the world where strategies must be implemented, the three elements are interdependent. Means are as likely to determine ends as ends are to determine means (Lindblom, 1959).

The objectives that an organization might wish to pursue are limited by the range of feasible approaches to implementation. (There will usually be only a small number of approaches that will not only be technically and administratively possible, but also satisfactory to the full range of organizational stakeholders.) In turn, the range of feasible implementation approaches is determined by the availability of resources (Hamel and Prahalad 2002).

Another critique of strategic management is that it can overly constrain managerial discretion in a dynamic environment. How can individuals, organizations and societies cope as well as possible with ... issues too complex to be fully understood, given the fact that actions initiated on the basis of inadequate understanding may lead to significant regret? (Woodhouse and Collingridge, 1993).

Some theorists insist on an iterative approach, considering in turn objectives, implementation and resources (de Wit and Meyer, 2008). In this regard, Elcock (1996) considers it a repetitive learning cycle rather than a linear progression towards a clearly defined final destination. Strategies must be able to adjust during implementation because humans rarely can proceed satisfactorily except by learning from experience; and modest probes, serially modified on the basis of feedback, usually are the best method for such learning (Woodhouse and Collingridge, 1993).

Woodhouse and Collingridge claim that the essence of being strategic lies in a capacity for intelligent trial-and error (Woodhouse and Collingridge, 1993) rather than strict adherence to finely-honed strategic plans. Strategy should be seen as laying out the general path rather than precise steps (Moore, 1995).

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of this aspect of management discipline. Among the earlier empirical findings presented in the literature, this section further presents studies relative to organizational strategy and performance effects. One of the recent conceptual studies in Nigeria (Ujunwa & Modebe, 2011) advocated for the adoption of strategic management approach in ensuring capital market efficiency following the perceived pivotal role the capital market in economic development. The strategic measure they reviewed ranged from effective regulation to achieving favorable macroeconomic environment. They posited that these strategies will not only promote the efficiency of the capital market, but will leverage the role of the capital market in promoting economic growth.

Askarany and Yazdifar (2012), investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and organizational performance in both manufacturing and non-manufacturing organizations in New Zealand.

The findings suggest a significant association between the diffusion of these relatively new strategic management tools and organizational performance. Gichunge (2010) examined the effect of formal strategic management on organizational performance of medium sized manufacturing enterprises in Nairobi, Kenya. It examined the extent to which formal strategic management is adopted by medium sized manufacturing enterprises in Kenya and investigated the effect of various administrative/legal factors on the extent to which formal strategic management are adopted. It also determined the relationship between level of competition and adoption of formal strategic management and investigated the effect of administrative/legal factors on organizational performance.

Finally the study assessed the relationship between adoption of formal strategic management and organizational performance. The data was analyzed statistically using the SPSS and R packages through tabulation, proportions and logic analysis. Results showed that the MEs have not adopted any formal strategic management. It is consistent with past studies that administrative/legal factors affect both adoption of formal strategic management and organizational performance. Competition also influences adoption of formal strategic management. Organizations with formal strategic management perform better than those without formal strategic management.

Eisenhardt and Martin (2000) in an extensive study of American companies, found that competitive strategy are at two different levels, the first being general strategic actions and orientation, which captures the overall strategic posture of the firm, either by focusing on a broader set of strategic decision variables such as R&D, investment, marketing, and product and market scope, and by relying on broader constructs of competitive strategy such as differentiation and cost leadership strategies. The researchers assert that both strategic levels have significant effects on corporate performance.

Washington and Ventresca (2004) found several organizational contingencies that exert influence on subsequent dynamic competitive strategy. The strategic context encompasses a firm's past corporate and competitive strategy. Strategic management is also influenced by organization structure, which refers to the status of, and changes in, top management team, pay structure, governance mechanisms and board processes and size. Finally, the organizational resources and capabilities subcategory captures the paths and positions of a firm's tangible and intangible resources, skills and organizational capabilities.

Conceptual framework

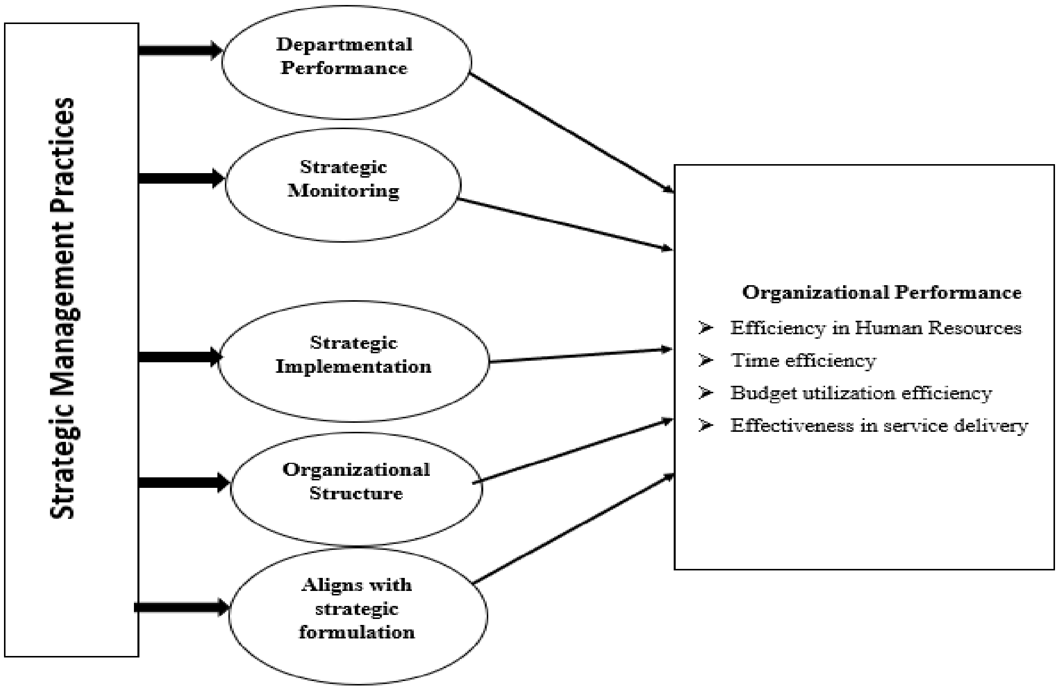

Figure 1. Factors of strategic management practice

Source: partially adopted Amanda P. (2015).

3.0 Research Methodology

3.1 Research design

The study was descriptive research design, whose purpose was, The Effect of Strategic Management Practices on the organizational Performance; the case of Dedebit credit and saving institution in Eastern Tigray. The study was employ qualitative and quantitative research approach; particularly descriptive sample survey was selected for the appropriateness with cross sectional of the study. After the data obtain from questionnaires the research was analyzed. The target populations of the study were from the employees of Dedebit credit and saving institution. The research project is going to apply both primary and secondary data sources. The primary data was collected using survey questionnaire from the concerned bodies. Also, the secondary data was collected from different sources such as documents, other research findings, and reports, in order to support the primary data by some related theoretical concepts.

3.2 Study Population

As the data obtained from the report of Dedebit credit and saving institution office in 2019, indicates the total number of the employees that are available and functioning in Eastern zone are 220, which are engaged in the activities of Service.

3.3 Sampling Procedure

Dedebit credit and saving institution located in Eastern zone Tigray and which are in operation for at least two years were stratified according to the sector in which they are operating.

Table 1. Distribution of DECSI in Eastern zone of Tigray

Eastern zone of Tigray	**Number Of Employees**
Adigrat	84
Wukro	45
Hawuzien	43
Zalambesa	46
Fatsi	38
Edaga-hamus	42
Sin-kata	48
Total	**346**

Source: Registry of Dedebit credit and saving institution office, 2019.

3.4 Sample Size Determination

The study was used both probability sampling design. The probability sampling design was a stratified random sampling method. This was used the study to select the number of sample respondents proportionally from each stratum. After this the researcher was used systematic sampling method to select the respondents from each organization. Sample size for the population of SMEs is determined by using the formula from (Cochran, 1963: 53-57; Israel, 1992: 39) as below:

$n= N/ (1+N (e)^2$

Where n = Sample size from the total population of DECSI, N = Total population DECSI =346, e = non-response rate: 5%.

Therefore, the calculated sample size was 128.

$n_{h=}$ (N_h/Ns) n where n_h is sample size from each stratum, N_h is total population in each DECSI, and N_s population of the sum of strata for the study (346) n is total sample size from the study population (128) using this formula, sample the computed sample size from each stratum is provided in table below. From each stratum, proportionate sample size was computed based on the formula indicated below.

Table 2. Proportionate sample size from each stratum

Eastern zone of Tigray	Number of employees	Proportionate Sample Size From Each Type of SMEs (N_h/N_H)*Sample of SMEs
Adigrat	84	(84/346)*128=31
Wukro	45	(45/346)*128=17
Hawuzien	43	(43/346)*128=16
Zalambesa	46	(46/346)*128=17
Fatsi	38	(38/346)*128=14
Edaga-hamus	42	(42/346)*128=15
Sin-kata	48	(48/346)*128=18
Total	**346**	**128**

Source: own survey 2019.

3.5 Data collection method

To collect the primary data from the target source, a self-administered questionnaire and unstructured interview were used. The secondary data collected from the manual and documents of the organizations

3.6 Method of data entry & Analysis

Multi regression linear model method was used. This method was employed to test whether or not the key independent variables were related to the dependent variable.

As noted earlier, this study relies on strategic management practices and organizational performance, indicators of success. Hence, both strategic management practices and organizational performance were used in the regression analysis as indicator of success. The general formula for multi regression linear mode as referred from (ANDY, 2009: 197-262; Morgan et al, 2004: 126-131) is;

$$Yi = a_{0\,+} (b0 + b1Xi1 + b2Xi2 + ... + bn\ Xn) + \varepsilon_i$$

Y is the outcome variable, *b*1 is the coefficient of the first predictor (*X*1), *b*2 is the coefficient of the second predictor (*X*2), b_n is the coefficient of the *n*th predictor (*Xn*), and ε_i is the difference between the predicted and the observed value of *Y* for the i^{th} participant.

Specifically, the determinants of success factors in the study expressed as referred from (ANDY, 2009: 197-262; Morgan et al, 2004: 126-131) is

P = ao+ b1 (DP) +b2(SM) +b3 (SI) + b4 (OS) +b5 (SF) +e

4. Data presentation, analysis and discussion of findings

4.1 Introduction

This chapter presented the data collected, the analysis of data and the discussion of the findings. A sample size of 128 respondents was selected from eastern zone of credit and saving institution.

4.2 Demographic characteristics of respondents

Under this sub-subject, the study described the demographic characteristics including age, gender and level of education of the sampled respondents.

Table 3. Demographic of Respondents

Characteristics	Category	Frequency	Percentage
Sex	Male	86	67
	Female	42	33
	Total	**128**	**100**
Age	18-25	10	8
	26-35	67	52
	36-45	51	40
	46 and above	-	-
	Total	**128**	**100**
Work experience	2-5 years	12	9.5
	6-10 years	80	62.5
	11-15 years	36	28
	16 years and above	-	-
	Total	**128**	**100**
Position held	Top level management	18	14.5
	Middle level management	35	27
	Operation/ expert level management	75	58.5
	Total	**128**	**100**

Source: own survey 2019.

Table 3 above showed the demographic distributions of respondents. The study showed that out of the 128 sampled respondents, 75% were expert level management of their institution, and 27% were Middle level management and the remaining 14.5% were Top level management s of their institution. Respondents' years of experience showed that 62.5% of respondents have only been employed for periods not exceeding 10 years. 28% of respondents have worked with the sampled companies for periods between 11-15 years, and 9.5% have worked for between 1-5 years. Age distributions of respondents showed that 52% of sampled respondents were aged between 26-35 years, 40% were aged between the age brackets of 35-45 years and the remaining 8% were aged between 18-25 years.

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This chapter is deals with the presentation, analysis and interpretation of data collected through questionnaires information collected from the employees. The questionnaires were distributed to sampled DECSI of Eastern zone as illustrated in Figure 1.

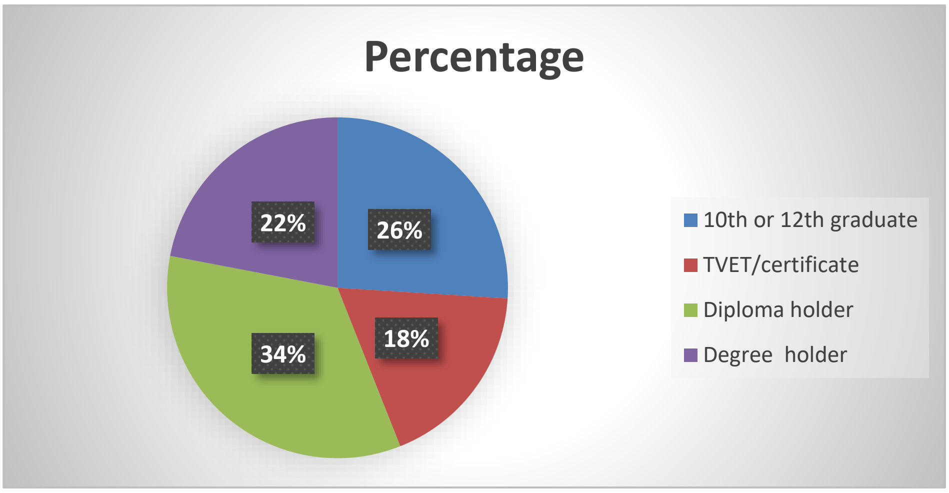

Figure 2. Distribution of Sampled Education qualification

Source: own survey 2019.

Above, the sampled education qualification are in four graduates. Most of them are engaged in diploma holder 34% followed by 10^{th} and 12^{th} graduated 18%, and degree holder 22%. Therefore, among the education qualification of the employees at Eastern zone of DECSI the diploma holder is the largest in number.

4.3 Main Findings

The study's main objective was to examine the importance of strategic management to organizational development. The main findings are discussed below.

4.3.1 Strategic Management Practices in the Credit and saving institutions

Research question one sought to identify the strategic management practices in the credit and saving institutions. The study sought to identify these strategies by analyzing field data using factor analysis (mean, standard deviation and coefficient of variation analysis). Each analysis was conducted to confirm the findings of the other. Statistical mean analysis was performed to determine the central locations (averages) of the responses to the data sets. A mean figure below 3 was considered to be low and skewed towards total agreement of a particular strategic management practice whilst that over three was considered to be high and skewed towards total disagreement of a particular strategic management practice.

Standard deviation was calculated to measure the variability and spread of the data set and the relationship of the mean to the rest of the data. The study also calculated the relation of the standard deviation to the mean, otherwise known as the coefficient of variation (CV). To prove the findings of the mean analysis, the values / figures for each variable (Strategic Management Practices) should be inversely proportional to the values of the mean for same variables. This meant that the lower a mean figure for a particular practice, the higher the correlating CV figures for that same practice.

Table 4. Strategic Management Practices in the credit and Savings institution

No	Statements	N	Min	Max	Mean	S. deviation
1	Aligning initiatives with strategy	128	1	5	1.61	.931
2	Align budget with departmental performance	128	1	5	3.57	1.22
3	Organizational structured for strategy implementation	128	1	4	1.88	.769
4	Staff are fully informed about strategy	128	1	3	1.61	.601
5	Staff are fully engaged in strategy implementation	128	1	3	1.7	.659
6	Strategy is monitored and adopted where necessary	128	1	5	1.66	.742

Source: own survey 2019.

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Table 4.2 above showed the strategic management practices as practiced by the sampled credit and saving institutions. The study showed that most credit and saving institutions try to manage strategically by aligning Initiatives with Strategy (mean=1.61), engaging staff fully in strategy implementation (mean=1.70), keeping staff fully informed about corporate strategic direction (mean=1.61), monitoring strategy and implementation in order to adapt it where necessary to meet the challenges and realities of the times (mean=1.66) and structuring the organization to be effective in its strategy implementation (mean=1.66). The study however showed that budgets in most credit and saving institutions is not prepared to align with team or departmental performance (mean=3.57).

For credit and saving institutions to align their initiatives with their strategy represents the height of strategic management. In the eastern zone credit and saving institution, initiatives could represent new products and service offers or a rebranding of existing products and services to coincide with the strategy of increasing the institution market share by meeting the needs and demands of a targeted customer group. Most the credit and saving institutions sampled had clear knowledge that when initiatives are tailored to meet strategy on paper, success can only be had when implementers (staff) are fully engaged and adequately resourced to execute the strategy. The assertion of Nag et al, (2007) that strategic management thus involves the formulation and implementation of the major initiatives taken by a institution top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes holds true by the findings of this study.

Kazmi (2008) adds that the success of strategy is achieved on the back of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. This study shares this contention by its findings credit and saving institutions were found to, besides keeping staff fully informed about the corporate strategy and the direction to achieve it, also monitored and adapted strategies when necessary.

Finally, the study showed that credit and saving institutions had organization Structures that were optimized to deliver effective strategy implementation. According to Hunger and Wheelen (2003), strategic organizational structures noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques.

However, the study found that the sampled credit and saving institutions neglect to align Budgets with Team/ Departmental Performance: a finding the study contends does not help further the goals and potential for success of strategic management in the credit and saving institutions sector. Expansive literature on management and marketing direct that company resources are better spent channeled into productive and successful endeavors and stalled or failing enterprises (Drucker, 1974; Adeleke et al., 2008; Stoney, 2001; Thompson and Strickland, 2003). This study contends that, this reasoning when adopted into strategic management, by channeling greater resources to successful teams or departments, would serve to increase the overall success of the company.

Table 5. Correlation Analysis of Strategic Management Practices in credit and saving institutions

No	Statements	1	2	3	4	5	6	7
1	Aligning initiatives with strategy	1						
2	Align budget with departmental performance	.197*	1					
3	Organizational structured for strategy implementation	.146	-.023	1				
4	Staff are fully informed about strategy	-.130	-.038	-.102	1			
5	Staff are fully engaged in strategy implementation	-.176	-.136	.088	.161	1		
6	Strategy is monitored and adopted where necessary	.260**	.216*	.105	-.300**	.293**	1	
7	Institutional Performance	.021	.001	.010	.014	-.008*	.047	1

Source: own survey 2019.

Having identified the strategic management practices as practiced by the sampled credit and saving institution, the study sought to determine if those strategic management practices had any degree of association amongst them. In effect, the study sought to know if the adoption of one practice influenced the adoption of another practice and what type of relationship exist between the various practices. To achieve this, a Pearson correlation analysis was conducted with a confidence interval of 95% using a 2-tailed test of significance.

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The study showed that the practice of aligning initiatives with strategy was perfectly correlated with Organization Structured for Strategy Implementation (sig. =.010), Staff being fully informed about strategy (sig. =.020), Strategy being monitored and adapted where necessary (sig. =.000) and Staff being fully engaged in strategy implementation (sig. =.009). However, the practice of aligning initiatives with strategy was found to have no significant correlation to aligning budgets with team/ departmental performance (sig. =.074).

Aligning Budgets with Team/ Departmental Performance was also found to have no significant correlation to Staff being fully engaged in strategy implementation (sig. =.179). Finally, the study showed that all the strategic management practices had significant positive correlations with sales corporate performance. This finding is indicative of the fact that a good strategy can have positive bearings on the output of an institution. This finding finds support in the assertions of David (2005) who opines that strategic management can be seen as a combination of strategy formulation, implementation and evaluation involving myriads of coordinating practices and initiatives working in concert to achieve corporate strategic goals.

4.3.1 Strategic Management Practices That Contribute Significantly towards Performance Research question two sought to identify which strategic management practices that contribute significantly towards performance. However, the study first sought to find out the performance parameters and indicators as observed by respondents in the sampled credit and saving institutions.

Table 6. Performance Levels of Sampled institutions

No	Statements	N	Min	Max	Mean	S. deviation
1	Sale growth	128	1	7	5.44	1.29
2	Profit growth	128	1	7	4.94	1.399
3	Productivity growth	128	1	7	3.52	1.92
4	Net profit	128	1	7	3.30	1.91
5	Sale revenue	128	1	7	5.05	1.321

Source: own survey 2019.

Table 6 above showed the performance levels of sampled companies. The study showed that the sampled companies had good sales growth rates (mean=5.44), good profit growth rates (mean=4.94,) and good sales revenues (mean=5.05). However, the growth of productivity (mean=3.52) and net profit (mean=3.30) were not impressive. This showed that in terms of productivity, the sampled companies were not found to be very productive but the magnitude of their sales growth and revenues showed the success of the marketing departments.

According to Ekpo (2008), the overall performance of any business organization is strongly influenced by how well the firm's strategic management practice matches its organizational structure and behavioral norms of its employees.

Table 7. Regressions of Contributions of Strategic Management Practices on Performance

No	Statements	B	Beta	R	R^2	T	Sig.
1	Aligning Initiatives with strategy	.793	.485	.485[a]	.235	5.488	.000
2	Align Budgets with departmental performance	.370	.094	.370[a]	.137	3.941	.000
3	Organization Structured for Strategy Implementation	.666	.631	.631[a]	.398	8.053	.000
4	Staff are fully informed about strategy	.820	.578	.578[a]	.334	7.013	.000
5	Staff are fully engaged in strategy implementation	.793	.485	.485[a]	.235	5.488	.000
6	Strategy is monitored and adapted where necessary	.820	.578	.578[a]	.334	7.013	.000

Source: own survey 2019.

Having found out the performance parameters and indicators as observed by respondents in the sampled credit and saving institution, the study then proceeded to identify the strategic management practices that contribute significantly towards company performance. To achieve this, the study conducted a linear simple regression analysis to assess the effects of the individual strategic management practices on sales growth (a performance parameter). In this analysis, sales growth was treated as dependent variable whilst the various strategic management practices were treated as independent variables.

The study showed that all the strategic management strategies had significant positive effects on sales growth: Aligning Initiatives with Strategy (beta = .485, t= 5.488, p<0.00), Align Budgets with Departmental

Performance (beta = .094, t= 3.941, p<0.00), Organization Structured for Strategy Implementation (beta = .631, t= 8.053, p<0.00), Staff are fully informed about strategy (beta = .578, t= 7.013, p<0.00), Strategy is monitored and adapted where necessary (beta = .485, t= 5.488, p<0.00), Staff are fully engaged in strategy implementation (beta = .578, t= 7.013, p<0.00). This implies that each strategic management practice has a positive contribution on the sales growth of firms. The model also predicted that for every unit increase in strategic management practice, sales growth increases by .793 units for Aligning Initiatives with Strategy, .370 units for Aligning Budgets with Departmental Performance, .666 units for Organization Structured for Strategy Implementation, .820 units for fully informing Staff about strategy, .793 units for fully engaging Staff about strategy implementation and .820 units for monitoring and adapting strategy.

Also, the contribution of each strategic management practice to sales growth accounted for was showed in R2 above. Therefore the amount of variation in sales growth was explained by the R2% as described above. The R2% shared variance was maximum effect size between the variables in the study since the model was able to explain the variation in the model (Cohen, 1988). Thus, the study objective was realized as there was statistically significant correlation between strategic management practices and corporate performance, indicating that the strategic management practices of a company has significant positive effects on its financial performance. In general, the model predicts the corporate performance improvement levels in the equation that emerges from the model. The equation of a simple linear regression is: Y = a + b1x1, where Y is the value of the dependent variable (what is being predicted), a = constant and b1 = slope (beta coefficient) for x1, where x1 is the independent variables.

Table 8. Pitfalls of Strategic Management

No	Statements	N	Min	Max	Mean	S. deviation
1	Short term planning	128	1	4	1.4	.603
2	Ignoring external trade	128	1	3	1.43	.655
3	Over confidence based on existing success	128	1	2	1.2	.402
4	Failure to respond to structural changes in the market	128	1	3	1.34	.517
5	Failure to employ the best possible team	128	1	3	1.35	.500
6	Failure to focus	128	1	2	1.21	.409
7	Inability to foster belief in the strategy	128	1	3	1.39	.549
8	Inability to translate the strategy into a corporate purpose	128	1	4	1.61	.764
9	Failure to create accountability for results	128	1	3	1.52	.627

Source: own survey 2019.

Table 8 above showed the pitfalls of strategic management. The study showed that the most ensnaring pitfall of strategic management is the inability of organizations to translate strategy into a corporate purpose. A mean figure of 1.61 showed that most respondents agreed to the point that Inability to translate the strategy into a corporate purpose was a major pitfall in strategic management. This was followed by short term planning (mean=2.05), failure to create accountability for results (mean= 1.52), inability to foster belief in the strategy (mean= 1.39), ignoring external trends (mean= 1.43), overconfidence based on existing success (mean= 1.2) and failure to respond to structural changes in the market (mean= 1.34).

The findings therefore showed that the path of strategic management is a tricky one, with pitfalls that could render strategic management efforts useless. Like the findings of this study, strategy is usually linked with the external environment in which the firm operates. In the strategic management literature, many contingency factors have been suggested to influence strategy. Numerous summaries of the contingency literature have concluded that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance (Prescott, 1986).

Empirical evidence tends to support this contention (Miller, 1987). According to Burns & Stalker (1961), frequent change would require energy and resources to be expended that are not necessary. Too much change under this condition would actually be detrimental. In a dynamic environment, those firms which are more sensitive to environmental changes, are able to identify the right adjustments, and are able to make changes expeditiously have a better chance of survival and success. Ujunwa & Modebe (2012) opine that Short term planning and Inability to foster belief in the strategy are critical stumbling blocks to effective strategic management.

5.0 Summary of Finding, Conclusion and Recommendation

5.1 Summary of Findings

The purpose of the study was to examine the importance of strategic management to organizational development. This section sums up the main findings.

5.1.1 Strategic Management Practices in the Credit and saving institutions

Research objective one sought to identify the strategic management practices in the credit and saving institutions. The study showed that most credit and saving institutions try to manage strategically by aligning Initiatives with Strategy, engaging staff fully in strategy implementation, keeping staff fully informed about corporate strategic direction, monitoring strategy and implementation in order to adapt it where necessary to meet the challenges and realities of the times and structuring the organization to be effective in its strategy implementation. The study however showed that budgets in most credit and saving institutions are not prepared to align with team or departmental performance.

5.1.2 Strategic management Practices Contribute Significantly towards Performance

Research objective two sought to identify which strategic management practices that contribute significantly towards performance. The study showed that all the strategic management practices had significant positive effects on sales growth: Aligning Initiatives with Strategy, Align Budgets with Team/ Departmental Performance, Organization Structured for Strategy Implementation, Staffs are fully informed about strategy; Strategy is monitored and adapted where necessary, Staff are fully engaged in strategy implementation. This implies that each strategic management practice has a positive contribution on the sales growth of firms.

5.1.3 Identify the Pitfalls of Strategic Management

Research question three sought to identify the pitfalls of strategic management. The study showed that the most ensnaring pitfall of strategic management is the inability of organizations to translate strategy into a corporate purpose. This was followed by short term planning, failure to create accountability for results, inability to foster belief in the strategy, ignoring external trends, overconfidence based on existing success and failure to respond to structural changes in the market. The findings therefore showed that the path of strategic management is a tricky one, with pitfalls that could render strategic management efforts useless.

5.1.4 Relationship between Strategic Management Practices and Performance in the Savings and credit institution in eastern zone

Research question four sought to examine the relationship between strategic management practices and performance in the credit and saving institutions in Eastern zone. To achieve this, a Pearson correlation analysis was conducted with a confidence interval of 95% using a 2tailed test of significance. The study showed that sales growth is positively correlated (Sig. = .000) with all the strategic management practices used in this analysis. These findings therefore showed that strategic management practices have direct positive relationship with corporate performance (as depicted with sales growth).

5.2 Conclusion

The success of any corporate organization is critical to its survival. Without good performance and high profitability, companies are doomed to staleness and possible bankruptcy. In the Eastern non-bank financial institution, success is altogether more important considering the plethora of areas for competitive advantage. Competitive advantage could be achieved through product design, customer relationship management, customer service, product requirements, etc. To excel in all these faucets, strategic management is critically important and the findings of this study have confirmed this fact. Strategic management has been found to significantly influence corporate performance and profitability. through the review of related literature and the analysis of the study, recommendation were made that the study entreats all credit and saving institutions to adopt in order to achieve higher performance and profitability through effective strategic management practices.

5.3 Recommendations

The study showed that strategic management and its practices have significant effects on corporate performance, especially sales growth.

- Knowing the right strategic practices to adopt is key to maximizing the performance of not just the individual employees of a company, but the company as a whole.
- The study therefore recommends that managements of credit and saving institutions take the practice of strategic management seriously in order to ensure sustained high corporate performance.
- The findings of the study and previous literature on the subject have shown that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance.
- Any strategy a company adopts must be done with the prevailing environment and a forecast of future conditions in mind.
- The study therefore recommends that credit and saving institutions factor into their strategic management decisions, the marketing environment and the prevailing macro conditions in order to come out with an effective strategic plan that would have positive impact on corporate performance.

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