

EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON BUSINESS GROWTH AND SUSTAINABILITY

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Abstract

Strategic management practices (SMPs) have become essential drivers of business growth and long-term sustainability in volatile, technology-driven, and environmentally conscious markets. This review synthesizes theoretical foundations including the Resource-Based View (RBV), Dynamic Capabilities (DC), Stakeholder Theory, and Contingency Theory, while examining the core strategic management process of environmental analysis, strategy formulation, implementation, and evaluation. Empirical evidence demonstrates that systematic strategic planning, technology adoption, leadership commitment, and ESG integration significantly enhance financial performance (profitability, market share), operational efficiency, and resilience. In SMEs and larger firms alike, alignment of IT strategies with business objectives, corporate sustainability initiatives, and strategic human resource management (SHRM) practices foster innovation, stakeholder value, and adaptive capacity. The study highlights the critical need to balance short-term profitability with long-term sustainability goals, supported by global frameworks such as GRI, UN SDGs, and CSRD. Moderating factors including industry dynamics, cultural dimensions, and environmental uncertainty influence outcomes. Effective SMPs enable organizations to achieve sustained competitive advantage while contributing to ecological and social responsibility.

1. Introduction

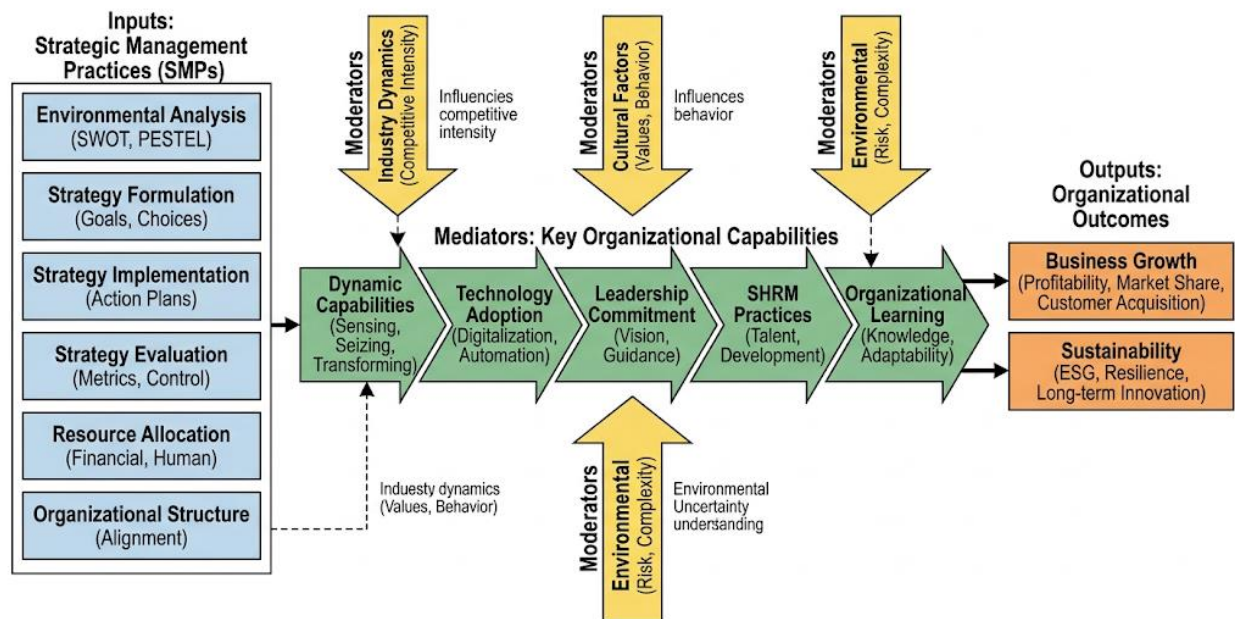
The contemporary business environment is characterized by unprecedented volatility, rapid technological shifts, and a growing emphasis on ecological and social responsibility. In this complex landscape, strategic management has transcended its traditional role as a mere planning

function to become a multifaceted discipline essential for ensuring both business growth and long-term sustainability (Durmaz & Düşün, 2016). Strategic management is systematically defined as the use of strategies, tactics, or methods aimed at achieving the set objectives of an enterprise through the targeted allocation of

resources (Nickols, 2016). It addresses fundamental questions concerning an organization's environmental positioning, its intended trajectory, and the specific mechanisms required to reach its goals (Adejare et al., 2023). As organizations strive for sustained competitive advantage, the integration of strategic management practices (SMPs) has proven to be a

critical driver of success across diverse industries and economic contexts (Williams et al., 2019). This relationship between strategic management practices and organizational outcomes can be conceptually visualized in Figure 1. The framework highlights how internal capabilities and external conditions interact to influence both business growth and sustainability.

Figure 1: Conceptual Framework of Strategic Management Practices and Organizational Outcomes



2. Theoretical Foundations and Evolutions in Strategic Discourse

The theoretical underpinnings of strategic management provide the conceptual architecture for understanding how firms navigate competitive markets. The Resource-Based View (RBV) serves as a foundational pillar, suggesting that a firm's sustained competitive advantage is derived from the possession of resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). However, the RBV has faced criticism for its static nature, as it often fails to explain how firms maintain their edge in rapidly changing and turbulent environments (Eisenhardt & Martin, 2000). This limitation prompted the development of Dynamic Capabilities (DC) theory, which addresses the necessity for firms to purposefully

adapt, renew, and reconfigure their resource base (Teece et al., 1997).

Dynamic capabilities operate as higher-order competencies that govern the evolution and reconfiguration of ordinary or operational capabilities. The core of the dynamic capability framework involves three interdependent processes: sensing opportunities and threats, seizing those opportunities through strategic action, and transforming organizational assets and routines to remain aligned with evolving market conditions (Teece, 2007). Complementing these resource-centric views is the Stakeholder Theory, which identifies that organizations achieve superior results when value creation is aligned with the needs and interests of various stakeholders, including customers, employees, and the environment (Muhammad et al., 2025).

Table 1. Comparative Analysis of Core Strategic Management Theories

Theory	Focus Area	Advantage Mechanism	Core Limitation
Resource-Based View (RBV)	Internal VRIN resources	Accumulation of valuable assets	Static; ignores rapid market shifts (Barney, 1991)
Dynamic Capabilities (DC)	Resource reconfiguration	Sensing, seizing, and transforming	High complexity in execution (Teece et al., 1997)
Natural Resource-Based View (NRBV)	Ecological sustainability	Pollution prevention and stewardship	Requires long-term investment cycles (Hart, 1995)
Stakeholder Theory	Value for all participants	Relationship and trust-building	Conflict between stakeholder interests (Muhammad et al., 2025)
New Stakeholder Theory (NST)	Reciprocal returns	Economic and legal value alignment	Incomplete theoretical tools (McGahan, 2021)
Contingency Theory	Contextual alignment	Fitting strategy to environment	Complexity in identifying variables (Muhammad et al., 2025)

3. The Process and Components of Strategic Management

Strategic management is a continuous, sequential process involving several interrelated steps: environment analysis, strategy formulation, strategy implementation, and strategy evaluation. Each of these components must be executed with precision to translate organizational vision into tangible growth and sustainable performance (David, 2011).

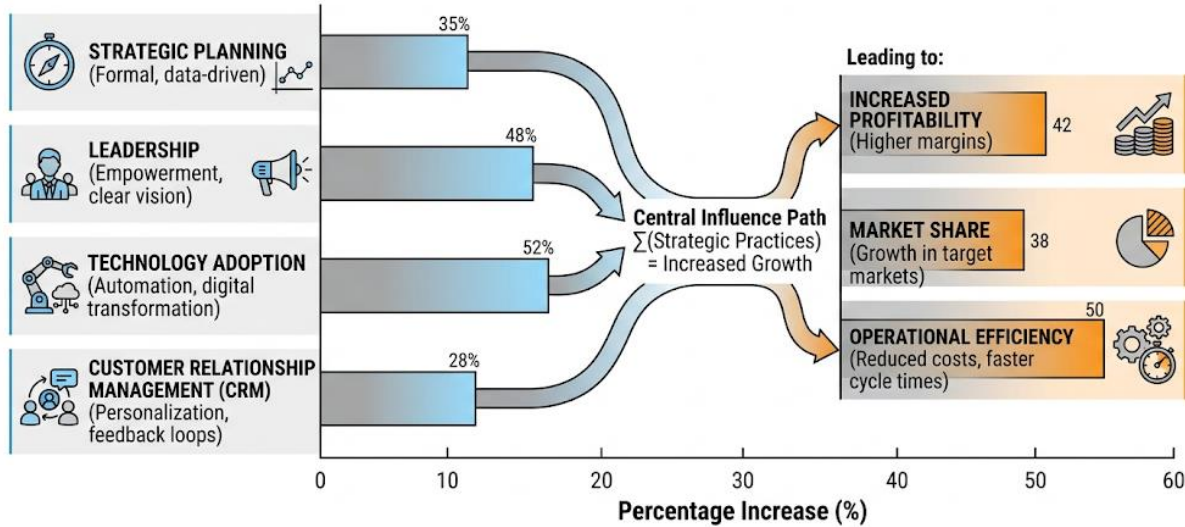
Tools such as PESTLE help teams identify significant threats and pinpoint emerging opportunities within each factor (Beyer Brown, 2025). Competitive intensity is often assessed using Porter’s Five Forces, which examines the threat of new entrants, the bargaining power of buyers and suppliers, the threat of substitute products, and rivalry among competitors. Strategic

implementation is the critical phase where plans are converted into actions, requiring coordination across departments and strong leadership commitment (Wheelen & Hunger, 2012).

4. Impact of Strategic Management Practices on Business Growth

Business growth is typically measured through financial indicators such as profitability and market share, as well as non-financial metrics like customer satisfaction. Empirical research indicates that Systematic Strategic Planning (SSP) has a significant direct effect on sustainable performance (Helfat & Peteraf, 2015). As illustrated in Figure 2, different strategic factors contribute variably to business growth outcomes. Strategic leadership and technology adoption emerge as dominant drivers.

Figure 2: Impact of Strategic Management Practices on Business Growth



In developing economies, specific strategic factors have been identified as drivers of competitiveness. In the banking sector, for instance, strategic

products accessibility, leadership, and technology adoption contribute significantly to market position (Smith & Jones, 2021).

Table 2. Factors Influencing Banking Competitiveness

Factor	Impact Coefficient	Significance
Strategic Leadership	0.359	Primary Driver (Smith & Jones, 2021)
Strategic Technology Adoption	0.304	Secondary Driver (Smith & Jones, 2021)
Strategic Product Accessibility	0.224	Core Capability (Smith & Jones, 2021)
Customer Relationship Marketing	0.222	Operational Enabler (Smith & Jones, 2021)
Constant Competitiveness Baseline	0.421	Structural Component (Smith & Jones, 2021)

5. Strategic Management and Sustainable Development

Sustainability has evolved into a core determinant of corporate resilience. Corporate sustainability (CS) practices, which encompass environmental, social, and governance (ESG) dimensions, have a strong positive relationship with firm performance. A meta-analysis revealed that approximately 90% of studies report either positive or neutral effects, suggesting that ESG initiatives generally support financial outcomes (Singh et al., 2026).

Research using signaling theory has identified organizational visibility as a primary mediating variable in the relationship between ESG

performance and firm value. High ESG performance allows firms to better adapt to evolving policy shifts and mitigating legal compliance risks (Adejare et al., 2023).

6. Strategic Management in Small and Medium Enterprises (SMEs)

SMEs are vital contributors to global economic growth, yet they face unique challenges such as limited financial resources. Strategic management practices are recognized as essential tools for these firms to effectively utilize their limited resources and achieve sustainable performance (Muhammad et al., 2025).

In Ghanaian SMEs, research reveals a significant positive relationship between strategy formulation and strategy implementation on business growth. SMEs that align their IT strategies with business objectives have demonstrated up to a 20% reduction in operational costs (Addae-Korankye & Aryee, 2021).

7. Organizational Resilience and Strategic Human Resource Management

Organizational resilience is the core capability of enterprises to cope with crises in a volatile and uncertain market. Strategic Human Resource Management (SHRM) contributes to this resilience by developing the knowledge and skills of employees (Al-Ayed, 2019).

Table 3. Strategic HR Practices and Correlated Dimensions of Organizational Resilience

Practice/Attribute	Correlated Dimension of Resilience	Mechanism
Training and Development	Agility and Adaptive Capacity	Human capital expansion (Lengnick-Hall et al., 2011)
Mentoring	Organizational Learning	Knowledge transfer and dynamic capability (Lengnick-Hall et al., 2011)
Talent Management	Risk Monitoring	Ability to respond to crises (Lengnick-Hall et al., 2011)
SHRM Analytics	Behavioral Resilience	Evidence-based decision-making (Al-Ayed, 2019)
Employee Self-Efficacy	Psychological Resilience	Believing in strategy execution (Chinese Resilience Study, 2022)

8. Navigating Strategic Trade-offs: Profit vs. Sustainability

One of the most significant challenges is balancing the trade-off between short-term financial targets

and long-term sustainability. Short-term strategies, such as using fossil fuels for quick returns, can lead to larger long-term losses for both the company and society (Beyer Brown, 2025).

Table 4. Strategic Balance Between Efficiency and Sustainability Risks

Advantage of Balancing	Risk of Ignoring Trade-offs
Enhanced brand image and trust (Efficiency Trade-off Framework, 2025)	Regulatory fines and legal penalties (Sustainability Frameworks Standards, 2025)
Mitigation of environmental and social risks (Efficiency Trade-off Framework, 2025)	Reputational damage and loss of loyalty (Sustainability Frameworks Standards, 2025)
Innovation opportunities for sustainable products (Efficiency Trade-off Framework, 2025)	Inefficient resource use and rising costs (Singh et al., 2026)
Strategic alignment with global goals (Efficiency Trade-off Framework, 2025)	Failure to meet mandatory ESG reporting (Sustainability Frameworks Standards, 2025)

9. Global Frameworks and Standards for Strategic Sustainability

Organizations align with global standards like the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (UN SDGs) to communicate their impacts. The Corporate Sustainability Reporting Directive (CSRD) requires companies to report on impacts across their entire value chain (Beyer, 2025).

10. Analytical Perspectives on Moderating Variables

The relationship between strategic practices and performance is moderated by internal and external factors. Industry growth significantly influences the impact of CSR on firm performance. In certain contexts, cultural dimensions such as individualism and uncertainty avoidance act as

critical moderators of how leadership practices influence organizational outcomes (Sindhushree et al., 2025).

11. Synthesis and Strategic Outlook

The pursuit of authentic superior value rooted in long-term viability will allow organizations to not only endure but prosper over time. Strategic management practices serve as the catalyst for achieving both business growth and long-term sustainability by ensuring that sustainability and innovation are embedded into core planning processes (Gabriel, 2012).

Conclusion

Strategic management practices serve as the cornerstone for achieving sustainable business growth in an era defined by volatility, technological disruption, and heightened stakeholder expectations. By systematically integrating environmental analysis, resource reconfiguration, stakeholder alignment, and dynamic capabilities, organizations can translate vision into measurable financial and non-financial outcomes while embedding environmental, social, and governance (ESG) principles into core operations. Evidence from diverse contexts, including SMEs and large enterprises, consistently shows that proactive strategy formulation, effective implementation, leadership commitment, and SHRM practices enhance resilience, innovation, and long-term viability.

However, realizing full potential requires navigating inherent trade-offs between short-term efficiency and long-term sustainability, addressing cultural and industry moderators, and aligning with global standards such as the UN SDGs and CSRD. Future success will depend on agile, data-driven strategic processes that leverage digital transformation while prioritizing ethical and ecological responsibility. Organizations that embed sustainability and stakeholder value into their strategic DNA will not only achieve superior performance but also contribute meaningfully to broader societal and environmental goals, ensuring enduring relevance in a rapidly evolving global economy.

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