

Influence of Strategic Management Practices on the Success and Revenues of SMES in the Province of Santa Elena, Ecuador: A Literature Review

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ABSTRACT

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This research examines the influence of strategic management practices on the success and income of small and medium-sized enterprises (SMEs) in the province of Santa Elena, Ecuador. Through a systematic literature review using the PRISMA method, 30 studies selected from the Scopus and Web of Science databases were analyzed. The results reveal that fundamental strategic practices such as formal planning, strategic flexibility and innovation have a significant impact on the performance and profitability of SMEs. Formal strategic planning provides clear direction and measurable objectives, while strategic flexibility enables companies to adapt quickly to market changes. The research also highlights the growing importance of sustainable management practices, including human resource and supply chain management, as key factors for long-term success. The study highlights the need for greater institutional and government support for SMEs in St. Helena, especially in areas such as strategic management training, access to finance, and promotion of business collaboration. Specific empirical studies in the province are recommended to validate these findings in the local context and provide more precise recommendations for SMEs in the region.

Keywords: Strategic practices, SMEs, business success, revenue, literature review,

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) represent a crucial part of the economy in many countries, including Ecuador. In the province of Santa Elena, these enterprises are fundamental to local economic development. This study seeks to review the existing literature on how strategic practices influence the success and revenues of SMEs in this region.

The importance of SMEs in Ecuador's economic network cannot be underestimated. According to data from the Ecuador National Institute of Statistics and Census (INEC), SMEs account for more than 99% of the country's businesses and generate approximately 60% of employment (INEC, 2021). In the province of Santa Elena, these companies play an even more crucial role, given the predominantly rural and tourist-oriented nature of the region.

SMEs in this area not only contribute significantly to the local economy but are also fundamental in preserving the region's cultural and artisanal traditions.

However, SMEs in Santa Elena, as in other parts of the world, face numerous challenges that threaten their survival and growth. These include limited financial and human resources, lack of access to advanced technologies, and intense local and global competition (Calderón et al., 2023). In this context, the adoption of effective strategic practices becomes not only desirable, but essential for the long-term sustainability and success of these companies.

In addition to the aforementioned challenges, SMEs in Santa Elena face increasing pressure to adopt sustainable and digital practices. Digital transformation represents both an opportunity and a challenge, especially in an environment where access to advanced technologies may be limited. As Matarazzo et al. (2024) note, the ability of SMEs to integrate digital technologies while maintaining their commitment to sustainability is critical to their long-term competitiveness. This balance is particularly relevant in the context of Santa Elena, where many businesses operate in traditional sectors such as tourism and handicrafts.

Strategic human resource management emerges as another critical factor for the success of SMEs in the region. López-Cabrales & Valle-Cabrera (2020) argue that sustainable human resource management practices not only improve organizational performance, but also contribute to the social and environmental development of the community. In this regard, Ejibe et al. (2024) have demonstrated how eco-sustainable practices through strategic human resource management can provide a significant competitive advantage, especially in creative and traditional industries such as those prevalent in Santa Elena.

Access to finance and effective working capital management continue to be major concerns for SMEs in the region. Fernandez et al. (2023) have identified a clear relationship between cash management strategies and profitability in SMEs. This aspect is particularly relevant in Santa Elena, where tourism seasonality and revenue variability require particularly careful financial management. Helman et al. (2023) suggest that the business sustainability of SMEs is closely linked to their ability to implement effective strategic management practices, including financial planning and risk management.

This study, therefore, not only has academic relevance, but also seeks to provide practical insights that can be applied by SME owners and managers in Santa Elena to improve their performance and competitiveness.

1.1 State of the Art

The field of strategic management in SMEs has experienced significant growth in recent decades. Recent research has highlighted the importance of strategic practices for the success and sustainability of these firms (Herhausen et al., 2020; Masyhuri, 2023).

Formal strategic planning has been identified as a key factor in the performance of SMEs. Sandada et al. (2014) found a positive relationship between strategic planning and business performance in South African SMEs. Similarly, Aldehayyat (2011) showed that strategic planning is significantly related to corporate performance in small firms.

Strategic flexibility has emerged as another crucial element. Herhausen et al. (2020) conducted a meta-analysis that revealed a positive relationship between strategic flexibility and SME performance. This ability to adapt quickly to changes in the environment has become especially relevant in the context of volatile and competitive markets (Doz & Kosonen, 2010).

Innovation and cooperation have also been identified as key strategic practices. Dibrell et al. (2014) found that innovation, together with a formal strategic planning process and flexibility in planning, is positively linked to business performance.

In the specific context of Ecuador and the province of Santa Elena, Calderón et al. (2023) have highlighted the importance of entrepreneurship ecosystems to increase the competitiveness of SMEs. This study highlights the need to consider the local environment and regional particularities when implementing strategic practices.

Recent research has also emphasized the importance of sustainability in SME strategic practices. Lopez-Cabral and Valle-Cabrera (2020) demonstrated how sustainable human resource management strategies can boost triple bottom line performance in these firms.

2. METHODOLOGY

2.1 Search Strategy

The literature search was conducted in the Scopus and Web of Science databases using key terms such as “strategic practices”, “SMEs”, “business success” and “revenue”. The PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) approach was followed to ensure rigorous and systematic selection of studies.

2.2 Inclusion and Exclusion Criteria

We included studies that:

- Focus on SMEs.
- Analyze the influence of strategic practices on business performance.
- Are published in peer-reviewed journals.
- Are written in English

We excluded studies that:

- Do not provide empirical data.
- Do not focus on strategic practices.
- Are duplicated in databases.

2.3 Study Selection Process

From a total of 132 studies initially identified (112 through databases and 20 through other sources), 30 studies were selected for detailed review after applying the inclusion and exclusion criteria.

2.4 Data Analysis

A qualitative analysis of the selected studies was conducted to identify the main strategic practices and their impact on the success and revenues of SMEs.

2.5 PRISMA Flow Chart

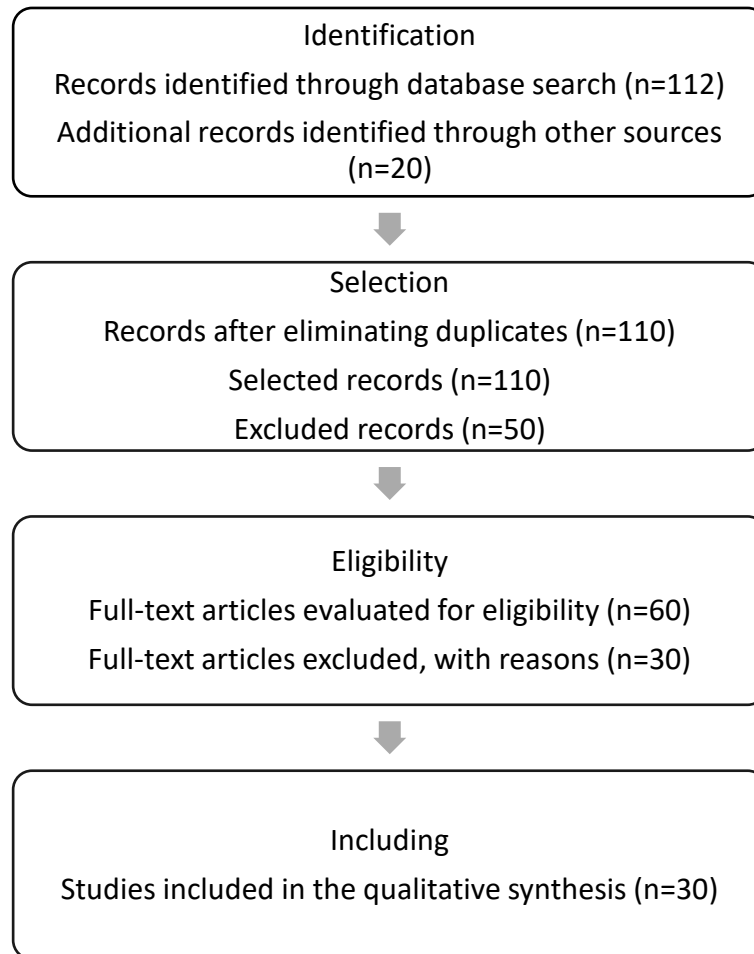


Figure 1. PRISMA flow diagram

3. RESULTS

3.1 Overview of Selected Studies

The selected studies cover various industries and regions, providing a broad overview of strategic practices in SMEs. A summary table of the selected studies is presented below:

Table 1.

Overview of Selected Studies

Author	Year	Results
Herhausen et al.	2020	Strategic flexibility has a positive relationship with SME performance.
Masyhuri	2023	Importance of competitiveness for business performance.
Darmawan et al.	2023	Supply chain flexibility and agility impact SME performance.
Kornelius et al.	2021	Relationship between strategic planning, strategic maneuverability and business performance.

Chan et al.	2017	Impact of supply chain flexibility and agility on SME performance.
Sandada et al.	2014	Strategic planning and its relationship to business performance among SMEs in South Africa.
Aboramadan Borgonovi	y 2016	Strategic management practices as key determinants of superior NGO performance.
Aldehayyat	2011	Relationship between strategic planning and corporate performance in small companies.
Gomera et al.	2018	Relationship between strategic planning and financial performance in small, micro and medium-sized companies.
Dibrell et al.	2014	Formal strategic planning process, flexibility in planning and innovation linked to business performance.
Doz y Kosonen	2010	Strategic agility as a leadership agenda to accelerate business model renewal.
Dubey et al.	2019	Data analytics capabilities and organizational flexibility as complements to supply chain resilience.
Gabrielsson et al.	2016	Competitive hybrid strategies and internationalization in the high-tech market can lead to superior financial performance.
Nzewi y Moneme	2016	Business agility and competitive advantage in selected commercial banks in Nigeria.
Salih y Alnaji	2014	Impact of strategic thinking and strategic agility on the strategic performance of insurance companies in Jordan.
Sousa et al.	2010	Managers' values in exporting and their influence on customer responsiveness and export performance.
Benzidia y Makaoui	2020	Supply chain flexibility and agility as determinants of business performance in SMEs.
Blome et al.	2013	Flexibility and agility in the supply chain improve organizational performance in SMEs.
Wadhawa y Rao	2003	They defined agility as an external response method that modifies how companies make these changes.
Li et al.	2006	Competitive advantage through effective supply chain management.
Calderón et al.	2023	Entrepreneurship ecosystems increase the competitiveness of SMEs.
Ejibe et al.	2024	Eco-sustainable practices through strategic human resource management in creative industries.
Ezinwa Nwankwo et al.	2024	Framework for integrating eco-sustainability into strategic human resources practices of SMEs.
Fernández et al.	2023	Cash management practices and their relationship to profitability.

Helman et al.	2023	Strategic management and business sustainability of SMEs.
Lopez-Cabrales y Valle-Cabrera	2020	Sustainable human resource management strategies drive triple bottom line performance.
Mariappanadar	2020	Sustainable human resource management practices to implement corporate sustainability.
Matarazzo et al.	2024	Stakeholder engagement for the co-creation of sustainable value.
Pham et al.	2020	Training solution to improve the green performance of employees.
Rafiq et al.	2024	Innovative human resources practices to cultivate green workplaces.

3.2 Main Strategic Practices Identified

Formal Planning: Formalization of strategic planning is associated with better business performance. Gomera et al. (2018) found a positive relationship between strategic planning and financial performance in small, micro and medium enterprises.

Strategic Flexibility: The ability of firms to adapt quickly to changes in the environment has a positive impact on their success. Chan et al. (2017) demonstrated the positive impact of supply chain flexibility and agility on the performance of SMEs.

Innovation and Cooperation: Adopting innovative strategies and collaborating with other companies improve revenues and growth. Gabrielsson et al. (2016) evidenced how competitive hybrid strategies and internationalization can lead to superior financial performance in the high-tech market.

3.3 Impact of Strategic Practices on Success and Revenue.

The reviewed studies indicate that strategic practices not only improve the financial performance of SMEs, but also contribute to their long-term sustainability and growth. For example, Darmawan et al. (2023) found that supply chain flexibility and agility positively impact SME performance.

4. DISCUSSION

4.1 Comparison of Results

Although the studies come from different geographical and sectoral contexts, there is a general consensus on the importance of strategic practices for the success of SMEs. Formal planning, strategic flexibility and innovation consistently emerge as key factors in various studies (Herhausen et al., 2020; Dibrell et al., 2014; Chan et al., 2017).

4.2 Limitations of the Study.

Limitations include reliance on secondary studies and lack of data specific to Santa Elena province. Future studies could benefit from primary research in this specific region.

4.3 Practical Implications

SMEs in Santa Elena can benefit from the adoption of formal and flexible strategic practices to improve their performance and competitiveness. The implementation of strategic planning systems, together with the promotion of innovation and organizational flexibility, could be particularly beneficial (Calderon et al., 2023).

5. CONCLUSIONS

Strategic practices are crucial to the success and revenues of SMEs in the province of Santa Elena, Ecuador. The implementation of formal and flexible strategies can significantly improve business performance in this region. The findings of this review suggest that:

1. Formal strategic planning is an essential component for SME success, providing clear direction and measurable objectives (Sandada et al., 2014; Aldehayyat, 2011).
2. Strategic flexibility enables SMEs to adapt quickly to market changes, which is crucial in today's business environment (Herhausen et al., 2020; Doz & Kosonen, 2010).
3. Innovation and cooperation are critical for sustainable growth, enabling SMEs to differentiate themselves and access new markets (Dibrell et al., 2014; Gabrielsson et al., 2016).
4. Sustainable management practices, including human resource and supply chain management, are gaining importance and can contribute significantly to the long-term success of SMEs (López-Cabrales & Valle-Cabrera, 2020; Benzidia & Makaoui, 2020).

It is important to note that effective implementation of these strategic practices requires a holistic approach tailored to the specific context of Santa Elena. SMEs in the region must carefully consider their resources, capabilities and the local environment when adopting these practices. For example, formal strategic planning must be flexible enough to adapt to the particularities of Santa Elena's tourism and artisanal market. Likewise, innovation strategies must balance the preservation of local traditions with the adoption of new technologies and business practices.

In addition, this study underscores the need for greater institutional and governmental support for SMEs in Santa Elena. Public policies that encourage strategic management training, facilitate access to finance, and promote inter-firm collaboration could have a significant impact on the adoption and effectiveness of strategic practices. Future research could explore how these supportive policies interact with strategic practices to influence the success of SMEs in the region.

Future research could focus on specific empirical studies in Santa Elena province to validate these findings in the local context and provide more precise recommendations for SMEs in the region.

6. RECOMMENDATIONS

The systematic review of the literature and the analysis of the strategic practices in SMEs in Santa Elena allow formulating the following structured recommendations for different stakeholders:

For SME Managers

Implementation of Strategic Planning

- Develop formal but flexible strategic plans, considering the findings of Sandada et al. (2014) on the positive relationship between planning and business performance
- Establish performance monitoring and evaluation systems with key performance indicators (KPIs) specific to the local context
- Implement quarterly strategic review cycles in order to maintain organizational agility, as suggested by Doz & Kosonen (2010)

Assessment Tools

- Adopt risk assessment matrices adapted to Santa Elena's context.
- Implement simplified Balanced Scorecards for SMEs.
- Use periodic organizational diagnostic tools, following the recommendations of Kornelius et al. (2021).

Capacity Building

- Invest in continuous training programs for personnel.
- Establish knowledge management systems adapted to SMEs.
- Foster a culture of innovation and continuous improvement, as suggested by Dibrell et al. (2014).

For Public Policy

Support Programs

- Create business development centers specialized in SMEs.
- Implement mentoring and business coaching programs
- Develop business networking and collaboration platforms, following the model proposed by Calderón et al. (2023).

Regulatory Framework

- Simplify administrative processes for SMEs
- Establish tax incentives for the adoption of sustainable practices.
- Develop regulations that encourage innovation and digitalization, as suggested by López-Cabrales & Valle-Cabrera (2020).

Financing

- Create specific lines of credit for the implementation of strategic practices.
- Develop guarantee funds for innovative SMEs.
- Implement green financing programs, as recommended by Ejibe et al. (2024).

For Academia

Priority Lines of Research

- Study the impact of digitalization on local SMEs.
- Analyze the effectiveness of different strategic management models
- Investigate the adaptation of sustainable practices to the local context.

Suggested Methodologies

- Develop longitudinal case studies
- Implement participatory action research
- Conduct regional comparative studies, following the approach of Helman et al. (2023).

Knowledge Transfer

- Establish university-industry linkage programs.
- Create local SME observatories
- Develop executive training programs specific to Santa Elena's context.

For Sustainable Development

Environmental Practices

- Implement environmental management systems adapted for SMEs
- Develop circular economy programs

- Encourage the adoption of renewable energy, as recommended by Matarazzo et al. (2024).

Social Responsibility

- Create community outreach programs
- Develop shared value initiatives
- Implement sustainable labor practices, as suggested by Rafiq et al. (2024).

Sustainable Innovation

- Encourage the development of eco-friendly products and services
- Implement cleaner production practices
- Develop sustainable supply chains, as suggested by Benzidia & Makaoui (2020)

The effective implementation of these recommendations requires a systematic and gradual approach, considering the capabilities and resources available to each SME. It is essential that these recommendations are adapted to the specific context of each organization and implemented in a flexible manner, allowing for adjustments according to the needs and results obtained.

It is suggested that SMEs in Santa Elena prioritize these recommendations according to their particular situation, starting with those that offer the greatest potential impact with the resources available. Collaboration among the different actors (business, government, academia and civil society) will be crucial for the successful implementation of these recommendations.

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