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Mr. Alex Ruzindana & Dr. Eugenia Nkechi Irechukwu (PhD)

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Strategic Management Practices and Sustainability of Small and Medium Sized Enterprises in Processing and Manufacturing Sector in Rwanda: A Case of 7 Selected Small and Medium Sized Enterprises in Rwanda

Mr. Alex Ruzindana¹, Dr. Eugenia Nkechi Irechukwu² (PhD)

¹ School of Business and Economics, Master of Business Administration (Strategic management Option), Mount Kenya University, Kigali, Rwanda

² Mount Kenya University, Kigali, Rwanda

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Abstract

This study aimed to investigate the influence of strategic management practices on the sustainable growth of small and medium-sized enterprises (SMEs) in Rwanda's processing and manufacturing sector, with Royal Drains Services Ltd, Tets Chaussures, Brodd Wines Ltd, The Power Ltd, Incuti Foods Ltd, Vynes Ltd, and Hope of Destiny Ltd as the focus companies. The research objectives encompassed examining the effects of strategic formulation, implementation, and evaluation on SME sustainability. The study employed a descriptive research design, focusing on seven SMEs in Rwanda's processing and manufacturing sector. The target population consisted of 97 managers and board members. Data were collected through a structured questionnaire and document review, and analyzed using descriptive statistics and regression analysis. Ethical considerations included informed consent, confidentiality, and voluntary participation. Firstly, the results on the effect of strategic formulation on SME sustainability in the processing and manufacturing sector in Rwanda was evident, with a strong mean of 4.1 and standard deviation of 0.82, demonstrating the importance of effective strategy formulation. Secondly, the contribution of strategy implementation was highlighted, with a significant mean of 4.07 and standard deviation of 0.81, emphasizing the necessity of clearly defined structures and resource allocation. Thirdly, the influence of strategy evaluation on SME sustainability was underscored, with a robust mean of 3.95 and a standard deviation of 0.91, emphasizing the critical role of well-defined key performance indicators and effective feedback mechanisms. Furthermore, the sustainable growth indicators revealed that SMEs in the processing and manufacturing sector in Rwanda are consistently focusing on sustainable practices, evidenced by means ranging from 4.1 to 4.38 and standard deviations from 0.64 to 0.92. Lastly, the strong correlations (0.859, 0.882, and 0.841) and regression coefficients (0.215, 0.222, and 0.207) confirmed the significance of strategic management practices in fostering sustainable growth for SMEs in Rwanda. The study's findings, which rejected all hypotheses, emphasized the significant influence of strategic management practices on SME sustainability. In conclusion, strategic formulation, implementation, and evaluation were identified as key contributors to sustainable business

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growth and performance. As a recommendation, Small and Medium Enterprises should prioritize effective strategic planning and implementation, coupled with adaptable management practices, to ensure their long-term viability in a dynamic business landscape.

Keywords: *Strategic Management Practices, Sustainability of Small and Medium Sized Enterprises, Processing and Manufacturing Sector, Rwanda.*

1. Introduction

Small and Medium Enterprises (SMEs) play a significant role in Rwanda's processing and manufacturing industry and are crucial to the country's economy. However, many of these businesses face difficulties that limit their competitiveness and long-term viability. One of the main problems SMEs face in Rwanda's manufacturing sector is ineffective strategic management techniques. According to a 2017 survey by the Rwanda Development Board, only 16.3% of SMEs had a formal business plan, which indicates a lack of strategic management practices and this leads these SMEs to often struggle to access finance and credit, inhibiting their growth and expansion prospects and also cause them to struggle in managing and controlling costs, also efficient use of resources is a critical concern for SMEs, Resource inefficiencies not only escalate operational costs but also strain the environment as inadequate cost management practices can lead to reduced profitability and hinder investment in strategic initiatives and all these issues can hinder the economic, environmental and social sustainability of SMEs.

According to the 2016 World Bank Enterprise Survey, Rwanda's SMEs died out at a rate of 15.8%. This high failure rate indicates that almost one in six SMEs in Rwanda failed. Although SMEs can benefit from strategic management techniques, a lot do not use them because they think they are only useful for large corporations. Therefore, the aim of this study is to examine the impact of strategic management practices on the viability of SMEs in Rwanda's manufacturing sector and to identify the main challenges faced by SMEs in implementing these practices. Although previous research has mainly focused on the importance of strategic management practices for SMEs in the processing and manufacturing sector, more research is needed to determine the precise impact of strategic formulation, implementation and evaluation on the sustainability of SMEs in Rwanda.

Given the intertwined nature of these sustainability issues and their impact on SMEs, it is imperative to comprehensively investigate how effective strategic management practices can address these challenges. By aligning strategic formulation, implementation, and evaluation with sustainable practices, SMEs can enhance their economic, environmental, and social sustainability. This holistic research approach will shed light on the intricate relationship between strategic management practices and the multifaceted sustainability issues faced by SMEs in Rwanda's processing and manufacturing sector. Ultimately, the findings will guide SMEs towards a more resilient and sustainable path, contributing to both their own success and the larger goal of advancing Rwanda's economy.

1.1 Objective of the Study

1.1.1 General Objective

The purpose of the study was to examine the impact of strategic management practices and sustainable growth of SMEs in the processing and manufacturing sector in Rwanda.

1.1.2 Specific objectives

The research was guided by the following specific objectives;

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- (i) To determine the effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.
- (ii) To explore the contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.
- (iii) To examine the influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

1.2 Research Hypothesis

H01: There is a no significant effect of strategy formulation and the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

H02: Strategy implementation has no significant contribution on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

H03: Strategy evaluation has no impact on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

2.1 Empirical Review

In the context of the vital role played by small and medium-sized enterprises (SMEs) in fostering economic development, the challenges facing these entities in developing countries are recognized. This literature highlights strategic management practices as pivotal for promoting the sustainability and growth of SMEs, particularly in the manufacturing sector in Rwanda. It emphasizes the significance of strategic formulation, implementation, and evaluation, offering insights for policy and intervention frameworks supporting SME development.

2.1.1 Strategy formulation and the sustainability of SMEs in the processing and manufacturing sector

Several empirical studies have examined the impact of strategic formulations on the sustainability of manufacturing SMEs in different contexts. A study by Kim and Lee (2017) examined the relationship between strategic planning and business performance among manufacturing SMEs in South Korea. The study found that strategic planning had a positive impact on business performance, including profitability, productivity and growth. This suggests that strategic formulation plays a crucial role in improving the sustainability of SMEs in the process and manufacturing sectors.

Another study by Mohamad and Mohd (2017) examined the impact of strategic planning on the growth of manufacturing SMEs in Malaysia. The study found that SMEs with formal strategic planning processes had higher growth rates than those without such processes. This underlines the importance of strategic formulation in promoting sustainable growth of manufacturing SMEs. In connection with Rwanda, a study by Ntaganda et al. (2020) examined the impact of strategic planning on the performance of manufacturing SMEs. The study found that strategic planning had a positive impact on SME performance, including profitability, productivity and customer satisfaction. This underscores the potential of the strategic formulation to improve the sustainability of SMEs in the manufacturing sector in Rwanda.

Furthermore, a study by Ngaruko et al. (2018) explored the relationship between strategic planning and financial performance among SMEs in the manufacturing sector in Rwanda. The study found that strategic planning positively influenced financial performance, including revenue growth and profitability. This indicates that SMEs that adopt effective

strategic formulation practices are more likely to achieve sustainable growth in the manufacturing sector in Rwanda.

2.1.2 Contribution of Strategy implementation on the sustainability of SMEs in the processing and manufacturing sector

The effective implementation of strategies is a decisive factor for the future viability of small and medium-sized enterprises (SMEs) in the manufacturing and manufacturing sector. It is not enough for SMEs to develop and formulate sound strategies, they must also ensure that these strategies are successfully implemented. A study by Wang et al. (2017) examined the impact of strategy implementation on the performance of Chinese SMEs. The study found that the successful implementation of strategies significantly improved the financial and non-financial performance of SMEs. Similarly, a study by Afza and Nazir (2011) in Pakistan found that the effective implementation of strategic plans had a positive impact on the long-term sustainability of SMEs. A study by Abubakar et al. (2017) examined the impact of strategy implementation on SME growth in Nigeria. The study found that SMEs that implemented their strategies effectively experienced higher growth than those that did not. In Malaysia, Mohd. Rasdi et al. (2015) conducted a study on the relationship between strategic implementation and organizational performance of SMEs. The study found that the effective execution of strategies is positively related to organizational performance.

A study by Karamagi and Kinyanjui (2017) in Rwanda investigated the influence of strategic implementation on the performance of SMEs. The study found that strategic implementation significantly influenced the performance of SMEs in terms of profitability, growth, and customer satisfaction. Additionally, the study found that SMEs that effectively implemented their strategies had a higher chance of sustainability; the data for this empirical literature was collected through a survey questionnaire administered to SME owners and managers in the manufacturing sector in Rwanda. The survey consisted of closed-ended questions that were designed to gather information on the implementation of strategies and the sustainability of SMEs, The survey questionnaire was the primary data collection tool used in this study. The questionnaire was designed based on a review of relevant literature on strategy implementation and SME sustainability. The questionnaire consisted of questions on strategy formulation, implementation, and sustainability. The responses were measured using a 5-point Likert scale.

The data collected was analyzed using descriptive statistics and regression analysis. Descriptive statistics were used to summarize the data, while regression analysis was used to determine the relationship between strategy implementation and SME sustainability. The findings showed that effective implementation of strategies significantly influenced the sustainability of SMEs in the manufacturing sector in Rwanda.

2.1.3 Strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector

Strategy evaluation is a crucial process in the strategic management of SMEs in the manufacturing sector. It is the process of assessing the effectiveness and efficiency of the implemented strategies to ensure that they are achieving the desired outcomes. The evaluation process helps SMEs to identify the gaps and shortcomings in their strategies and to take corrective measures to achieve their objectives. Therefore, the influence of strategy evaluation on the sustainability of SMEs in the manufacturing sector is critical.

Several studies have been conducted globally to investigate the influence of strategy evaluation on the sustainability of SMEs in the manufacturing sector. For example, a study by

Makhija and Ganesh (2020) found that strategy evaluation positively influenced the sustainability of SMEs in the manufacturing sector in India. The study revealed that SMEs that regularly evaluated their strategies had higher growth rates and profitability than those that did not. Another study by Ojong and Agyapong (2019) conducted in Ghana found a positive correlation between strategy evaluation and the sustainability of SMEs in the manufacturing sector. The study found that SMEs that conducted regular evaluations of their strategies had better financial performance than those that did not and in a study conducted by Ahmed et al. (2018) in Pakistan, it was found that strategy evaluation positively affects the performance of SMEs in the manufacturing sector. The study used a sample of 150 SMEs and employed a survey questionnaire as the data collection tool. The findings revealed that SMEs that regularly evaluate their strategies have higher profitability, productivity, and growth rate compared to those who do not, similarly, a study by Mukhlisin et al. (2020) in Russia found that strategy evaluation positively influences the sustainability of SMEs in the manufacturing sector. The study used a sample of 83 SMEs and used a mixed-methods approach, combining both quantitative and qualitative data collection methods. The study found that SMEs that regularly evaluate their strategies are more likely to identify their weaknesses and take corrective measures, which enhances their overall performance and sustainability.

2.2 Research Gap

The existing empirical literature presents valuable insights into the relationship between strategic management practices and the sustainability of small and medium-sized enterprises (SMEs) in the manufacturing sector, focusing particularly on various countries. Notably, studies by Kim and Lees (2017) in South Korea, Mohamad and Mohd (2017) in Malaysia, Ntaganda et al. (2020), Ngaruko et al. (2018), and Karamagi and Kinyanjui (2017) in Rwanda, among others, have underscored the importance of strategic formulation, implementation, and evaluation for SME sustainability.

However, despite these contributions, a noticeable research gap exists concerning the unique context of SMEs in the processing and manufacturing sector of Rwanda. While the international literature provides valuable insights, the need for focused research specifically targeting Rwanda is essential for a more comprehensive understanding of the challenges and opportunities within the Rwandan SME landscape. Additionally, the absence of studies exploring the intricacies of strategy formulation, implementation, and evaluation specifically in the Rwandan SME context limits the scope of the existing literature.

Although the literature has highlighted the positive impact of strategic management practices on SME sustainability, the specific challenges and contextual factors that might influence the efficacy of these practices in Rwanda remain largely unexplored. Furthermore, there is a lack of comprehensive studies examining the implications of strategy formulation, implementation, and evaluation on SME sustainability that directly address the unique challenges and opportunities faced by Rwandan SMEs.

To bridge this gap, there is a pressing need for a rigorous empirical study that delves into the specific nuances of strategic management practices and their impact on the sustainability of SMEs in the Rwandan manufacturing sector. Such research should aim to identify the contextual factors influencing strategic management practices and sustainability, thereby providing insights that can inform policy formulation and interventions tailored to the Rwandan SME landscape.

2.3 Conceptual Framework

A conceptual framework is a tool used to analyze and solve real-world problems by integrating various components and variables. It helps in identifying and resolving issues in a structured manner. In this research, a conceptual framework is being used to guide the researcher, as shown

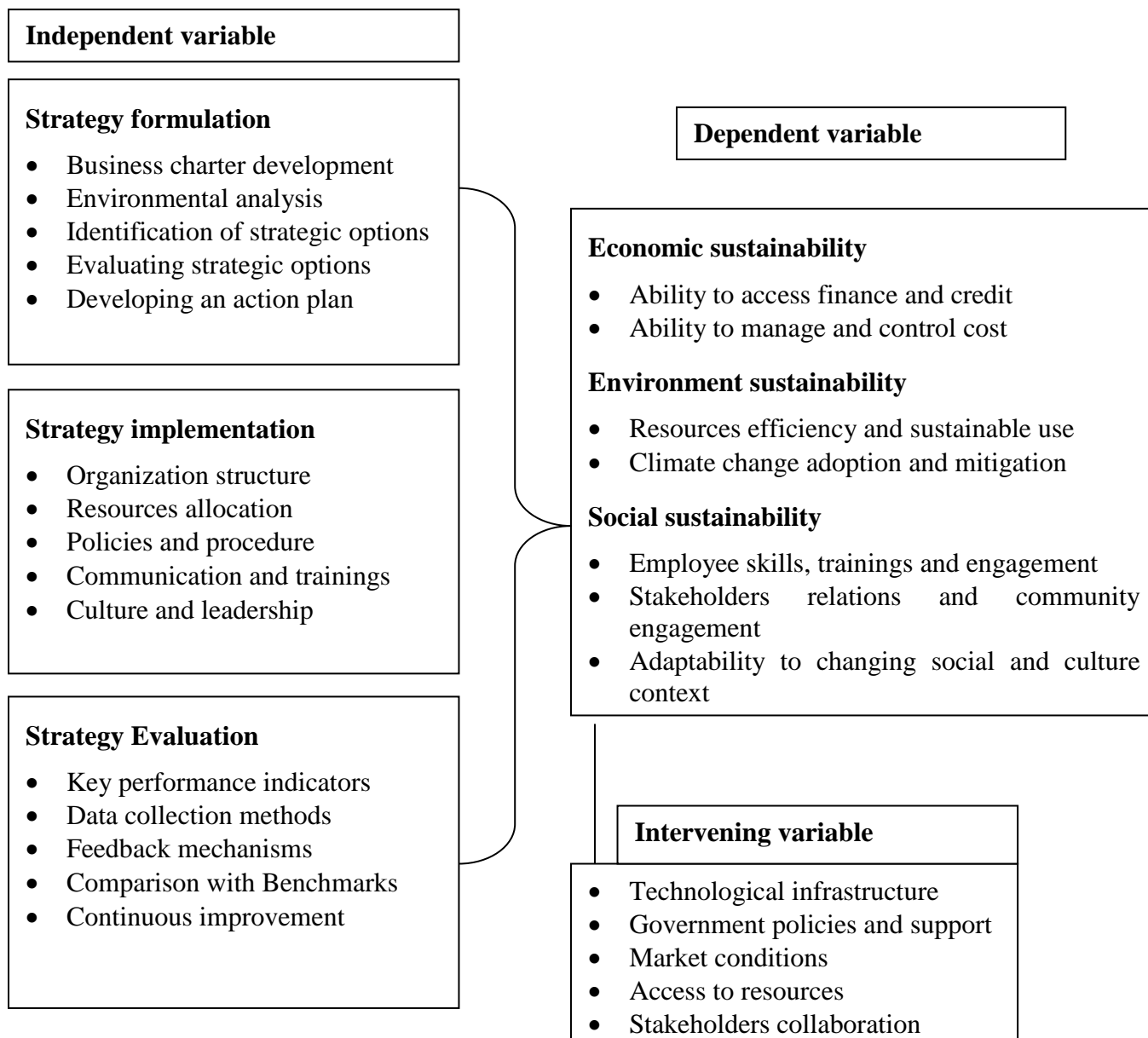


Figure 2.1: Conceptual framework

Source: researcher (2023)

The conceptual framework highlights the impact of strategy formulation, implementation, and evaluation on sustainable growth through economic, environmental, and social sustainability. Intervening variables, including government policies, market conditions, resource accessibility, and industry structure, influence this relationship. Government support can aid SMEs in strategic decision-making, while market dynamics necessitate adaptive strategies. Access to resources is critical, affecting strategy implementation success, and

industry characteristics, such as competitive and regulatory environments, shape the adoption of sustainable practices. Additionally, industry maturity and supply chain complexities impact the integration of sustainability initiatives. Understanding these relationships is vital for organizations to effectively navigate the intricate landscape of sustainable growth.

3. Materials and Methods

The research design in this study adopted a descriptive approach, incorporating both qualitative and quantitative methods, along with a case study, to comprehensively analyze the impact of strategic management practices on SME sustainability in Rwanda's processing and manufacturing sector (Bajpai, 2011; Mugenda and Mugenda, 2018). The target population of 97 managers and board members from seven prominent SMEs in Rwanda was chosen due to their significant role in the industry and their ability to provide valuable insights into the impact of strategic management practices on SME sustainability (Asiamah, Mensah, and Oteng-Abayie, 2017). A census sampling technique was employed to gather data, ensuring that the entire population was included in the study (Saunders, Lewis, and Thornhill, 2016).

Data collection methods involved a triangulation strategy, incorporating questionnaires with open-ended and closed-ended questions, and document review (Sekaran, 2003). Reliability and validity were established through a pilot study and expert validation, ensuring the internal consistency of the research instruments (Hair et al., 2006; Catherine, 2016). Data analysis procedures involved the use of SPSS 21 and Nvivo software for quantitative and qualitative data, respectively, using descriptive statistics, linear regression, and correlation analysis (Cooper & Schindler, 2011).

The research adhered to ethical standards, ensuring voluntary participation, confidentiality, and clear communication with the participants throughout the research process (Mhlanga, 2010). Consideration was given to the consent of individual respondents and the avoidance of coercion, while ensuring the preservation of anonymity and the understanding of the study's objectives by both the research team and the subjects.

The study design and data collection methodology were strategically employed to provide a comprehensive understanding of the impact of strategic management practices on the sustainability of SMEs in Rwanda's processing and manufacturing sector, contributing to the existing body of knowledge and serving as a basis for informed decision-making and policy formulation within the industry.

4.1 Presentation of findings

This session provides information related to the research objectives, to achieve on the purpose of research analysis and interpretation were performed where various statistics components were utilized such as percentages, mean, standard deviation, coefficient of correlation and multiple regression analysis. This section provides information in form of the following research objectives. To determine the effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda, to explore the contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda, to examine the influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

4.1.1 The strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda

This section reveals the effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda, responses were analysed using five Likert scale ranging from very poor to very good through percentages, mean and standard deviations

were also provided. This question intends to provide information about the effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector.

Table 4. 1: The effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda

| Responses | VP | P | A | G | VG | Mean | St. Dev |
|--|-----|-----|------|------|------|------|---------|
| Organization’s business use effectively strategy formulation to align overall strategic goals and objectives as well as communicated to stakeholders | 0.7 | 1.3 | 21.3 | 40 | 36.7 | 4.1 | .82 |
| Organization gather and utilize data and insights from comprehensive external and internal analysis to identify opportunities and potential threats in the market | 0.7 | 1.3 | 18 | 41.3 | 38.7 | 4.2 | .81 |
| Organization explore and consider various factors, such as market dynamics, resources, and capabilities, when generating a range of strategic options to address current and future challenges | 1.3 | 2 | 16.7 | 42 | 38 | 4.1 | .85 |
| Organization evaluate and assess the feasibility, risks, and potential outcomes of each strategic option, using specific criteria such as financial viability and alignment with organizational values | 0.7 | 2.7 | 16.7 | 42.7 | 37.3 | 4.1 | .83 |
| Organization develops a detailed and actionable plan that includes resource allocation, milestone setting, and accountability mechanisms to effectively implement the chosen strategic option | 1.3 | 2.7 | 12.7 | 44.0 | 39.3 | 4.2 | .84 |

Source: research, 2023

Very Poor (V.P), Poor (P), A (Average), G (Good) and Very Good (V.G)

Table 4.1 displays the effect of strategic formulation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. The results indicated that organization’s business uses effectively strategy formulation to align overall strategic goals and objectives as well as communicated to stakeholders where 36.7% of respondents were very good and 40% said that good, 21.3% stated that average, 1.3% replied that poor. Only 0.7% responded very poor. Also, respondents confirmed that organization’s business uses effectively strategy formulation to align overall strategic goals and objectives as well as communicated to stakeholders at strong mean of 4.1 and slightly different of standard deviation of 0.82.

When researcher asked respondents whether organization gather and utilize data and insights from comprehensive external and internal analysis to identify opportunities and potential threats in the market, 38.7% of total respondents agreed organization gather and utilize data and insights from comprehensive external and internal analysis to identify opportunities and

potential threats in the market at very good, 41.3% said that good, 18% showed that average. Only few of respondents responded in negative sense, 1.3% and 0.7% asserted that poor and very poor respectively. The results confirmed by mean high mean of 4.1 and low standard deviation of 0.81

The researcher was interested in knowing whether organization explore and consider various factors, such as market dynamics, resources, and capabilities, when generating a range of strategic options to address current and future challenges, the following responses were obtained at 38% showed that very good, 42% revealed that good, 16.7% showed that average, 2% said that poor and 1.3% very poor. Further, the respondents agreed at mean of 4.3 and standard deviation of 0.85.

The researcher observed that organization evaluate and assess the feasibility, risks, and potential outcomes of each strategic option, using specific criteria such as financial viability and alignment with organizational values. The findings showed positive answers, 37.3% and 42.7% affirmed that very good and good respectively that Organization evaluate and assess the feasibility, risks, and potential outcomes of each strategic option, using specific criteria such as financial viability and alignment with organizational values followed by 16.7% indicated average. At the end, 2.7% and 0.7% admitted that poor and very poor. Addition, majority of respondents agreed at mean of 4.1 and standard deviation of 0.83.

Concerning to organization develops a detailed and actionable plan that includes resource allocation, milestone setting, and accountability mechanisms to effectively implement the chosen strategic option, the following responses were obtained, majority of respondents confirmed at 39.3% revealed that very good, 44% responded that good, 12.7% asserted that average 2.7% stated that poor and 1.3% asserted that very poor. On the other hand, the respondents confirmed the statement at high mean of 4.2 and standard deviation of 0.84. The study concurred with the research done by Mohamad and Mohd (2017) who assessed the impact of strategic planning on the growth of manufacturing SMEs in Malaysia. The study found that SMEs with formal strategic planning processes had higher growth rates than those without such processes. This underlines the importance of strategic formulation in promoting sustainable growth of manufacturing SMEs. Strategic formulation had a positive impact on SME performance, including profitability, productivity and customer satisfaction. This plays great role to the sustainability of companies where appropriate strategic formulation improve performance of human resources and financial resources as the main key for sustainability of business sector. Strategic formulation process enables the corporate and business level to settle on the best course of action for the firm through a strategic choice. It is where firms develop and choose a set of options or strategies there are two approaches to strategy formulation. First approach is designed approach which involves proactive and intentional calculated efforts by firms. The second approach is Emergent, which views strategy as an offshoot of various events in the environment, hence viewed as reactive to events.

4.1.2 The contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda

This session provides information about the contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. The research question clarifies the contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. The responses provided by respondents are shown in the following table.

Table 4. 2: The contribution of strategy implementation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda

| Responses | VP | P | A | G | VG | Mean | St. Dev |
|---|-----|-----|------|------|------|------|---------|
| Organization has a clearly defined and communicated structure that facilitates coordination and collaboration among different departments or teams | 0.7 | 0.7 | 19.3 | 45.3 | 34.0 | 4.11 | .78 |
| Organization balance the allocation of resources between short-term goals and long-term strategic objectives, using a systematic approach | 0.7 | 2 | 20 | 44.7 | 32.7 | 4.07 | .81 |
| Organization has comprehensive policies and procedures in place to guide decision-making and operations, and how effectively are they communicated and understood by employees at all levels | 0.7 | 0.7 | 20 | 43.3 | 35.3 | 4.12 | .79 |
| Organization has effective communication channels for sharing information and updates across the organization, and how well does the organization ensure that employees receive the necessary training and development opportunities to perform their roles effectively | 1.3 | 2 | 18.7 | 44.7 | 33.3 | 4.07 | .84 |
| Organization foster a positive and inclusive work culture that encourages collaboration and innovation, and how well does leadership inspire and motivate employees to achieve strategic goals | 2 | 2.7 | 22.7 | 40.7 | 32 | 3.98 | .91 |

Source: research, 2023

The Table 4.2 revealed that organization has a clearly defined and communicated structure that facilitates coordination and collaboration among different departments or teams. The following responses were obtained majority of respondents agreed 34.0% indicated very good, 45.3% responded that good, 19.3% said that average, 0.7% chose poor and 0.7% revealed that very poor. Also, the responses had strong mean of 4.11 and standard deviation of 0.78. Researcher interested in knowing whether Organization balance the allocation of resources between short-term goals and long-term strategic objectives, using a systematic approach, the following were obtained, 32.7% indicated that very good, 44.7% displayed that good, 20% responded that average, 2% and 0.7% showed that poor and very poor. Further, the responses had the strong mean of 4.07 and standard deviation of 0.81

The study was interested in knowing whether organization has comprehensive policies and procedures in place to guide decision-making and operations, and how effectively are they communicated and understood by employees at all levels, the following results were obtained, 35.3% indicated that very good, 43.3% good, 20% revealed that average, 0.7% indicated that poor and 0.7% very poor. The respondents affirmed the statement at mean of 4.12 and standard deviation of 0.79.

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The findings indicated that organization has effective communication channels for sharing information and updates across the organization, and how well does the organization ensure that employees receive the necessary training and development opportunities to perform their roles effectively, the results showed that 33.3% indicated that very good, 44.7% chose good 18.7% admitted that average, 2% and 1.3% stated that poor and very poor respectively. Meanwhile statement was confirmed at mean of 4.07 and standard deviation of 0.84. Lastly, the respondents affirmed that organization foster a positive and inclusive work culture that encourages collaboration and innovation, and how well does leadership inspire and motivate employees to achieve strategic goals, the following results showed that 32% revealed that very good, 40.7% revealed that good, 22.7% asserted that average. Oppositely, 2.7% and 2% indicated that poor and very poor. The responses indicated mean of 3.98 and standard deviation of 0.91.

The findings concurred with results of Wang et al. (2017) who examined the impact of strategy implementation on the performance of Chinese SMEs. The study found that the successful implementation of strategies significantly improved the financial and non-financial performance of SMEs. Strategy implementation stage involves operationalization of strategic choices. It entails developing actionable plans and tactics by each functional unit. Another key stage in implementation is institutionalization of strategy, which aims at matching the firm's institutions with its strategy. This is a crucial as well as sensitive stage that may require; restructuring of the firm, culture change, technological, review of firm reward system, policy changes and system changes. This influence highly the sustainability of business in different approaches applied by business to build competitive advantage.

4.1.3 The influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda

This subsection displays the information related to the influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. Research concentrates on the various ways strategy evaluation influences the sustainability of SMEs in the processing and manufacturing sector in Rwanda. The findings were analysed using percentage, mean and standard deviation.

Table 4. 3: The influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda.

| Responses | V P | A | G | VG | Mea n | St. Dev | |
|--|--------|----|------|------|----------|---------|-----|
| Organization uses well-defined key performance indicators (KPIs) to measure progress towards strategic goals and how effectively are KPIs aligned with the critical success factors of your organization | 0.7 | 10 | 24.7 | 34 | 30.6 | 3.8 | 0.7 |
| Organization employs reliable data collection methods to gather relevant information for strategic decision-making and how well do data collection methods capture both qualitative and quantitative data to provide a comprehensive understanding of the business environment | 0.7 | 8 | 18.7 | 44.6 | 28 | 3.91 | .91 |
| Organization have effective feedback mechanisms in place to capture insights and perspectives from stakeholders and to what extent does your organization utilize feedback to identify strengths, weaknesses, and opportunities for improvement | 0.7 | 7 | 18 | 44 | 30 | 3.95 | .91 |
| Organization benchmark its performance against industry standards or best practices and identifies as well as select relevant benchmarks for comparison | 0.7 | 2 | 27.3 | 40 | 30 | 3.96 | .84 |
| Organization embrace a culture of continuous improvement in strategic decision-making and operations and to what extent does your organization encourage innovation and experimentation to drive continuous improvement | 0.7 | 3 | 10.3 | 58 | 26.7 | 3.86 | .87 |

Source: research, 2023

Table 4.3 illustrates influence of strategy evaluation on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. The study established that organization uses well-defined key performance indicators (KPIs) to measure progress towards strategic goals and how effectively are KPIs aligned with the critical success factors of your organization where 30.6% revealed that very good, 34% stated that good 24.7% showed that average. However, 10% and 0.7% responded that poor and very poor respectively. The respondents agreed at mean of 3.8 and 0.99

Furthermore, researcher asked whether organization employs reliable data collection methods to gather relevant information for strategic decision-making and how well do data collection methods capture both qualitative and quantitative data to provide a comprehensive understanding of the business environment, the following responses were provided by respondents, 28% asserted that very good 44.6% showed that good meanwhile, 18.7% admitted average. Contrary few respondents refused, 8% and 0.7% responded that poor and very poor respectively. The responses had mean of 3.91 and standard deviation of 0.91. The responses indicated that organization has effective feedback mechanisms in place to capture

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insights and perspectives from stakeholders and to what extent does your organization utilize feedback to identify strengths, weaknesses, and opportunities for improvement, 30% responded very good 44% showed that good. Only 18% indicated that average while 7.3% revealed that poor and 0.7% admitted very poor. Also, the results were confirmed by strong mean of 3.95 and low standard deviation of 0.81

Organization benchmark its performance against industry standards or best practices and identifies as well as select relevant benchmarks for comparison as indicated by results, 30% revealed that very good, 40% portrayed that good, 27.3% admitted that average. However, 2% and 0.7% stated that poor and very poor respectively. Responses had strong mean of 3.96 and standard deviation of 0.84

Finally, researcher asked respondents whether organization embrace a culture of continuous improvement in strategic decision-making and encourage innovation as well as experimentation to drive continuous improvement, the findings showed that 26.7% indicated that very good, 58% showed that good, 10.3% revealed that average. However, 3.3% indicated that poor and 0.7% responded that very poor. On the other hand, responses had mean of 3.86 and standard deviation of .87, Monitoring and evaluation significantly influence the project performance of Three Stones International Rwanda by tracking progress, enabling data-driven decision-making, facilitating learning, engaging stakeholders, managing risks, and driving performance improvement. The study was in line of Makhija and Ganesh (2020) who did research about the impact of strategic evaluation on the sustainability of manufacturing sector. Where they found out that strategy evaluation positively influenced the sustainability of SMEs in the manufacturing sector in India. The study revealed that SMEs that regularly evaluated their strategies had higher growth rates and profitability than those that did not. Business sector strategies need to be constantly reviewed as some may be rendered ineffective at some point due to dynamic and volatile nature in the environment. The success of strategic evaluation requires clear set of parameters which will be measured against pre-set performance measurements standards.

4.1.4 Sustainable growth indicators

The research assessed the sustainable growth indicators using various indicators as shown in below table. Responses were summarized in table 4.8 as follows.

Table 4. 4: The sustainable growth indicators of Small and Medium Enterprises

| Responses | SA | A | N | D | SD | Mean | St. Dev |
|---|------|------|-----|-----|-----|------|---------|
| Company sustainably grows in its ability to access finance and credit | 42 | 52.7 | 1.3 | 2.7 | 1.3 | 4.31 | .75 |
| Company manages and controls costs to ensure economic sustainability | 47.3 | 40 | 4.7 | 7.3 | .7 | 4.26 | .9 |
| Company prioritize resource efficiency and sustainable use in its operations | 38.7 | 49.3 | 3.3 | 6.7 | 2 | 4.16 | .92 |
| Company measure and monitor resource consumption to identify areas for improvement | 44.4 | 53.3 | 0.7 | 1.3 | 0.7 | 4.38 | .64 |
| Company invests in developing employee skills through training and development programs | 39.3 | 50 | 3.3 | 6 | 1.3 | 4.2 | .86 |
| Company engage and empower employees in decision-making and problem-solving processes | 38.1 | 51.9 | 7.2 | 2.8 | 1.4 | 4.1 | .79 |

Table 4.4 illustrates the indicators of sustainable growth of Small and Medium Enterprises. The researcher was interested in knowing whether Company sustainably grows in its ability to access finance and credit. The findings indicated that greater number of respondents agreed at 52.7% and 42% strongly agreed with mean of 4.31 and standard deviation of 0.75. On the other hand, 1.3% were neutral. However, 2.7% and 1.3% disagreed and strongly disagreed the statement. Also, the study revealed that company manages and controls costs to ensure economic sustainability, the findings showed that 47.3% strongly agreed and 40% agreed with strong mean of 4.26 and standard deviation of 0.90. On the other hand, 4.7% were neutral. Whereas, 0.7.3% disagreed and 0.7% strongly disagreed the statement.

The respondents indicated that company measure and monitor resource consumption to identify areas for improvement. The findings showed that 38.7% strongly agreed and 49.3% agreed with highest mean of 4.16 and low standard deviation of 0.92, the results indicates strong agreement of respondents. However, 3.3% were neutral, 6.7% disagreed and 2% strongly disagreed the statement. The study indicates that company measure and monitor resource consumption to identify areas for improvement at agreement of 44.4% strongly agreed and 53.3% agreed, 0.7% were neutral. Contrary, 1.3% disagreed and 0.7% strongly disagreed the statement. On the other hand, respondents agreed at mean of 4.38 and standard deviation 0.64.

The respondents revealed that company invests in developing employee skills through training and development programs at 39.3% strongly agreed and 50% agreed while 3.3% were neutral. Whereas 6% disagreed and 1.3% strongly disagree the statement. Apart form percent, respondents agreed at strong mean of 4.2 and standard deviation of 0.86.

Finally, the study indicated that company invest in developing employee skills through training and development programs. The results showed that 38.1% strongly agreed and 51.9% agreed while 7.2% were neutral. However, 2.8% and 1.4% disagreed and strongly disagreed the statement. On the other hand, respondents affirmed the responses using the following mean of 4.1 and .79 standard deviation. The study concurred by the research done by Karamagi and Kinyanjui (2017) in Rwanda who investigated the influence of management strategic practices on the performance of SMEs. The study found that SMEs that effectively implemented their strategies had a higher chance of sustainability. The business sector is influenced by numerous factors sufficient financial, appropriate performance of employees and maintain strategic planning and implementation in right ways.

4.2 Correlation Analysis between the strategic management practices and sustainable growth of SMEs

Researcher applied correlational analysis to measure the relationship between independent variables and dependent variable. Independent variables were constituted by strategy formulation, strategy implementation and strategy evaluation while dependent variable is the sustainable growth of SMEs. The results are shown in the below table.

Table 4. 5: Pearson Correlation Matrix

| | | Strategy formulation | Strategy implementation | Strategy evaluation |
|----------------------------|---------------------|----------------------|-------------------------|---------------------|
| Strategy evaluation | Pearson Correlation | .830** | .978** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 97 | 97 | 97 |
| Sustainable growth of SMEs | Pearson Correlation | .859** | .882** | .841** |
| | Sig. (2-tailed) | .000 | .000 | .000 |
| | N | 97 | 97 | 97 |

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2023)

The table 4.5 indicates how independent variables correlated with dependent variable, the results showed that there is high positive relationship between strategy formulation and sustainability of manufacturing and processing sector in Rwanda because of the positive value for correlation coefficient. Strategy formulation contributes to the sustainability of manufacturing and processing sector at high positive correlation of 0.859 (85.9%). Thus, appropriate strategy formulation boosts significantly the performance and sustainability of business sector. Further, the finding indicated that strategy implementation enhances the sustainability of manufacturing and processing sector at high positive correlation once strategy is implemented in right manner at right time the production of organization increases where the results indicated coefficient correlation of .882 (88.2%). If the organization formulates strategy to ensure the results will be good need to implement these formulated strategies at right manner. This is in right of Qian (2013) who stated that strategy implementation helps a company to gain its competitive advantage if the good strategy formulated is implemented successfully serve the purpose of organization as well as competitive advantage.

Further, the findings indicate that there is strong correlation between strategy evaluation and sustainability of manufacturing and processing sector where researcher observed that effective strategy evaluation influence sustainability of business sector at strong positive correlation of .841(84.1%). All results showed that there is statistically significance due to p-value is 0.000 which is less than 0.01 as suggested by SPSS program. The findings confirmed that all variables under management strategic practices influences highly sustainability of manufacturing and processing sector due to all strategic formulation, strategic implementation and strategic evaluation are the main strategies influences business to attain on the satisfactory production pushing business to build strong competitive advantage over competitors.

4.3 Regression analysis

This section illustrates the relationship between independent variable (strategic management practices and dependent variable which is sustainable growth of SMEs. Analysis was done using regression linear to find out the effect of strategic management practices on the sustainable growth of manufacturing and processing of SMEs. The components of independent variable are strategy formulation, strategy implementation and strategy evaluation. In this study model summary, variances and coefficients of variables were determined as shown in the following tables.

Table 4. 6: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .929 ^a | .864 | .815 | .30515 |

Source: Primary Data (2023)

a. Predictors: (Constant), strategy formulation, strategy implementation and strategy evaluation

Table 4.6 shows that regression analysis revealed (R = .929) which is a favorable connection while the R square of 0.863 indicated that the model's predictors, strategy formulation, strategy implementation and strategy evaluation accounted 863% correlation with the dependent variable as sustainable growth of SMEs. Further, the research concluded that combination of all components of independent variable raise sustainable growth of SMEs.

Table 4. 7: Analysis of Variance (ANOVA)

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 104.359 | 5 | 18.840 | 94.674 | .000 ^b |
| | Residual | 16.501 | 92 | .199 | | |
| | Total | 120.860 | 97 | | | |

Source: research, 2023

- a. Predictors: (Constant), strategy formulation, strategy implementation and strategy evaluation.
- b. Dependent Variable: Sustainable growth of SMEs

Table 4.7 shows that the model indicates that 86.3% of the differences in sustainable growth of SMEs (104.359 out of 120.860), while other variables not captured by the model where it can explain 13.7% percent (16.501out of 120.860). F value of the model is 94.674, where significantly different from zero. P-value of 0.000 is below predetermined level which indicates statistical significance of independent variables to the dependent variable. In recommendation, the model is good to indicate the sustainable growth of Small and Medium Enterprises.

Table 4. 8: Regression coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .183 | .180 | | .019 | .000 |
| Strategy Formulation | .180 | .108 | .215 | .828 | .000 |
| Strategy implementation | .217 | .097 | .222 | 2.350 | .000 |
| Strategy Evaluation | .237 | .153 | .207 | 1.875 | .001 |

Source: research, (2023)

Dependent Variable: Sustainable growth of SMEs

Table 4.8 shows the responses of the regression coefficients. The sustainable growth of SMEs was established through determination of Standardized coefficients (B). In reference to the T-statistics, the effective strategy formulation, strategy implementation and strategy

evaluation has direct influence to the sustainable growth of Small and Medium Enterprises Where the results indicated that strategic management practices influence sustainable growth of SMEs through strategy formulation, strategy implementation and strategy evaluation, the results showed that strategy formulation (=0.215), strategy implementation (=0.222) and strategy evaluation (=0.207).

In addition to, a unit change in strategy formulation would lead to the sustainable growth of SMEs at multiple of .215, the greatest predatory of the study, any factor change in strategy implementation would contribute to the sustainable growth of SMEs at 0.222 times, and a section change in strategy evaluation form strategic management practices leads to the sustainable growth of SMEs at the rate of .207 times. All p-values in the research were less than 0.05, it explains that variables are statistically confirming independent variables influence sustainable growth of Small and Medium Enterprises as dependent variables significantly.

4.4 Results of Hypotheses Testing

This section indicates the linear regression model summary. Hence, the table indicates (R^2), the essential effects so as to confirm whether hypotheses are acceptable or reject according to the results of hypothesizes test.

Table 4. 9: Results of Hypotheses Testing

| Hypothesis developed | Beta (β) | P-values | Decision on Ho | R^2 |
|-------------------------|------------------|----------|----------------|-------|
| Strategy Formulation | .215 | .000 | Rejected | |
| Strategy Implementation | .222 | .000 | Rejected | .864 |
| Strategy evaluation | .207 | .001 | Rejected | |

Source: research, (2023)

Table 4.9, the first hypothesis revealed that there is a no significant effect of strategy formulation and the sustainability of SMEs in the processing and manufacturing sector in Rwanda., the second hypothesis relates that strategy implementation has no significant contribution on the sustainability of SMEs in the processing and manufacturing sector in Rwanda , third hypothesis indicates that strategy evaluation has no impact on the sustainability of SMEs in the processing and manufacturing sector in Rwanda. All hypothesizes are rejected because p-value were less than 0.005 which means that all variables have significantly on the sustainable growth of Small and Medium Enterprises. The findings showed that strategic management practices has big contribution on the sustainable growth of SMEs in consideration of strategy formulation, strategy implementation and strategy evaluation due strategic management practices support managers to get outcome at minimum resources as well as identifying the forces that determine the changes allowing them to understand the opportunities from the business environment. The ultimate goal of business managers is to obtain the best results with minimum effort and lowest investments.

5.1 Conclusion

In conclusion, the study's findings emphasized the pivotal role of strategic management practices in fostering the sustainable growth of small and medium enterprises (SMEs) in Rwanda's processing and manufacturing sector. Strategic formulation was identified as critical in aligning business objectives with environmental challenges and opportunities, promoting efficient resource utilization, and enhancing production capabilities. The absence of clear strategic formulation was found to hinder the achievement of organizational goals, highlighting the significance of this initial step in the strategic management process.

Moreover, the study highlighted the influence of strategic implementation on SME sustainability, emphasizing the need for diligent efforts to ensure the successful execution of formulated strategies within specified timeframes. The meticulous examination of practices during project implementation was underscored as instrumental in maintaining competitive advantages.

In addition, the study emphasized the importance of strategic evaluation in facilitating SMEs' sustainable growth. By enabling businesses to assess the extent to which formulated strategies were achieved, strategic evaluation was deemed crucial in identifying and addressing any deviations that might impede business performance in a highly competitive environment. Hence, the overall conclusion highlighted the significant contributions of strategic management practices, including strategic formulation, implementation, and evaluation, to the sustainable growth of SMEs. It emphasized the need for managers to ensure the effective execution of these practices to mitigate any potential deviations that might hinder the business's success.

5.2 Recommendations

Based on the study's findings, it is recommended that Small and Medium Enterprises (SMEs) prioritize strategic formulation and implementation to enhance their sustainability. To prevent business failures resulting from inadequate strategy execution, SMEs should allocate more resources and commitment to developing effective strategies. It is crucial for strategic management practices to remain dynamic and adaptable, allowing for necessary adjustments that can bolster business performance and growth in a rapidly changing business environment.

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