2015

Strategic management practices and implementation in small and medium sized enterprises in Cyprus

Christou, Theodoros

Business Administration Program, School of Economic Sciences and Business, Neapolis University Pafos

http://hdl.handle.net/11728/8707

Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository
STRATEGIC MANAGEMENT PRACTICES AND IMPLEMENTATION IN SMALL AND MEDIUM SIZED ENTERPRISES IN CYPRUS

By:

THEODOROS CHRISTOU

ID Number: 1133103924

Master in Business Administration
Neapolis University Paphos
Paphos, Cyprus
February 2015
STRATEGIC MANAGEMENT PRACTICES AND IMPLEMENTATION IN SMALL AND MEDIUM Sized ENTERPRISES IN CYPRUS

Dissertation

Advisor

Kyriakos E. Georgiou

Program Director

Dr. Christos Christodoulou
STATEMENT OF ORIGINAL AUTHORSHIP

This dissertation has not been previously submitted for a degree or diploma at any higher education institution. To the best of my knowledge, the thesis contains no material previously published or written by another person except where due reference is made.

........................................
Theodoros Christou
ACKNOWLEDGEMENTS

In this part of the dissertation I would like to express my thanks and gratitude to the people that with their encouragement and help I managed to complete this dissertation.

Firstly, I would like to thank my supervisor Kyriakos E. Georgiou for his assistance and support.

Secondly, I would like to express my gratitude to my parents Christos and Maria Christou for their encouragement and economic support during the years of the Master’s course.

Finally but most significantly, I would like to express my deepest gratitude to Stefanie Mavrokoratou for her support, patience and understanding while I was busy with the MBA course.

This dissertation is dedicated to my parents and Stefanie for their devotion and support.
ABSTRACT
Small and Medium Size Enterprises (SMEs) play an important role for the growth and the development of the economy of Cyprus as well as for all countries. Strategic management and its implementation has been come the main focus in SMEs because of its role in generating economic wealth. Although there are many advantages to use strategic management, there are still some SME organizations that do not use it because they believe that this process is only helpful for larger organizations. The purpose of this study was to establish strategic management practices and their influence on performance of SMEs in Cyprus.

A theoretical framework was used for the process, regarding the effect of strategic management on SMEs performance. This included among others the definition of strategy, different types of strategy, Strategic management, competitive advantage. A descriptive statistic research method was applied for this study. The target population for this study was the top 50 SMEs of 2015 in Cyprus in Paphos, Limassol and Nicosia. The sample size of the study was 50 senior managers in the SMEs. For this study, a survey questionnaire was used as the primary collection of quantitative data. The questionnaire responses were cleaned, grouped into various categories and entered in the Microsoft EXCEL software to facilitate the analysis using descriptive statistics. The analyzed data was presented in distributions tables and pie charts for ease of understanding and analysis.

All firms have a strategy, even if it is informal, unstructured, and sporadic. All organizations are heading somewhere, but unfortunately some organizations do not know where they are going. The old saying “If you do not know where you are going, then any road will lead you there!” accents the need for organizations to use strategic-management concepts and techniques. The strategic-management process is becoming more widely used by small firms, large companies, nonprofit institutions, governmental organizations, and multinational conglomerates alike.

The process of empowering managers and employees has almost limitless benefits. Organizations should take a proactive rather than a reactive approach in their industry, and they should strive to influence, anticipate, and initiate rather than just respond to events. The strategic management process embodies this approach to decision making. It represents a logical, systematic, and objective approach for determining an enterprise’s future direction.

The stakes are generally too high for strategists to use intuition alone in choosing among alternative courses of action. Successful strategists take the time to think about their businesses, where they are with their businesses, and what they want to be as organizations and then they implement programs and policies to get from where they are to where they want to be in a reasonable period of time. The research indicated that the SMEs in Cyprus are aware of the importance of using strategic management practices and the role of external and internal factors which is a combination that helps for the growth and development of the companies. It has been found that strategic management practices enhance performance and competitive advantage of SMEs in Cyprus.
### Table of Contents

- **STATEMENT OF ORIGINAL AUTHORSHIP** ...................................................................................... iv
- **ACKNOWLEDGEMENTS** ............................................................................................................... v
- **ABSTRACT** ...................................................................................................................................... vi
- **CHAPTER 1 - INTRODUCTION** .................................................................................................. 1
  - 1.1 Background of the study ........................................................................................................ 1
  - 1.2 Definitions .................................................................................................................................. 2
    - 1.2.1 The Definition of Small and Medium Enterprises (SMEs) .............................................. 2
    - 1.2.2 The Definition of Strategy ................................................................................................. 4
    - 1.2.3 Definition of Strategic Management ................................................................................... 5
  - 1.3 Research Problem and Objectives ........................................................................................... 5
  - 1.4 The Structure of the Dissertation ............................................................................................. 6
- **CHAPTER 2 - LITERATURE REVIEW** ...................................................................................... 7
  - 2.1 Introduction ............................................................................................................................... 7
  - 2.2 The concept of Strategy ........................................................................................................... 7
  - 2.3 Strategic Management Practices and their impact on Performance of SMEs ...................... 10
  - 2.4 Strategic Planning ..................................................................................................................... 14
  - 2.5 The SME sector in Cyprus ......................................................................................................... 16
  - 2.6 Environmental Factors ............................................................................................................. 17
    - 2.6.1 SWOT Analysis .................................................................................................................... 19
  - 2.7 External Analysis ....................................................................................................................... 20
    - 2.7.1 PEST Analysis ...................................................................................................................... 22
    - 2.7.2 Porter’s Theory of Competitive Advantage .......................................................................... 23
  - 2.8 Internal Analysis ....................................................................................................................... 28
    - 2.8.1 Resource-Based View and SMEs .......................................................................................... 29
  - 2.9 Porter’s Generic strategies in the SMEs .................................................................................... 30
- **CHAPTER 3 - RESEARCH METHODOLOGY** .......................................................................... 32
  - 3.1 Introduction ............................................................................................................................... 32
  - 3.2 Research Design ....................................................................................................................... 34
  - 3.3 Quantitative Research .............................................................................................................. 34
  - 3.4 Population of the Study ............................................................................................................ 36
  - 3.5 Data Collection ......................................................................................................................... 36
# LIST OF TABLES

Table 1: *Examples of SME definitions suggested by CE, WB and OECD* ................................................................. 3
Table 2: Age of the Respondents ........................................................................................................................................ 37
Table 3: Level of Education ........................................................................................................................................... 38
Table 4: How many years have this organization been in operation............................................................ 39
Table 5: What is the size of your organization in terms of number of employees? .............................................. 40
Table 6: Strategies adopted in the last five years ............................................................................................... 42
Table 7: What extent has the following external factors contributed to your business adoption of new strategies ........................................................................................................................................ 42
Table 8: To what extent do you agree with the following statements on strategic management practices and performance........................................................................................................ 44
Table 9: To what extent has the strategies adopted by your organization improved the performance of your business........................................................................................................................................ 45
Table 10: To what extent has your organization adopted the various strategic management practices to achieve competitive advantage ........................................................................................................ 46
LIST OF FIGURES

Figure 1: Age of the Respondents ........................................................................................................38
Figure 2: Level of Education..................................................................................................................39
Figure 3: How many years have this organization been in operation ..................................................40
Figure 4: what is the size of your organization in terms of number of employees .........................41
Figure 5: Strategies adopted in the last five years ..............................................................................42
Figure 6: what extent has the following external factors contributed to your business adoption of new strategies .................................................................................................................................43
Figure 7: To what extent do you agree with the following statements on strategic management practices and performance ........................................................................................................................................44
Figure 8: To what extent has the strategies adopted by your organization improved the performance of your business ...................................................................................................................................45
Figure 9: To what extent has your organization adopted the various strategic management practices to achieve competitive advantage ........................................................................................................47