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**THE IMPACT OF STRATEGIC MANAGEMENT ON THE GROWTH  
OF SMEs**

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**ABSTRACT**

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<p>The aim of the study was to determine the impact of strategic management on the growth of SMEs. This study was conducted by reviewing some theories and statistical data of company X and some companies passively. This thesis analyzed the theoretical view of business ethics and sustainable development. It also extended to the financial and non- financial aspects of motivation in the organization. The focal point on this thesis was to know if the internal and external factors that affect the organization due to the unlimited resources and the competition need strategic management.</p> <p>The quantitative and qualitative research methods were used in this thesis. The empirical research was based on collecting data from 40 employees of company X.</p> <p>CONFIDENTIAL</p>		

<p><b>Key words</b> Competitive Advantage, Creativity, Financial Motivation, Non-financial Motivation, Strategic management.</p>
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## **CONCEPT DEFINITIONS**

CEO	Chief executive officer
IT	Information Technology
NEPAD	New Partnership for Africa's Development
SME	Small and medium size enterprise
SWOT	Strength, weaknesses, opportunities and threats
UK	The United Kingdom
USA	The United States of America

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## 1 INTRODUCTION

The world today has an increasing need for the enhancement of businesses due to the inconsistency of the business world. Today, the world has become a global village giving opportunities for businesses to grow and get new markets all over the world. Nevertheless, growing a business either locally or internationally has many challenges. It is noted that businesses always seek different ways to ensure growth in opportunities and strategies.

Strategic management is a young discipline celebrated 30 years ago. It is based on developing new ways of thinking that is needed by the issues facing the field of business policy. Assembling the resources in the organization during the production process to obtain the final product is also very important. Enterprise resource planning therefore is a necessary tool needed in every organization to ensure growth. To ensure a proper management of the resources in an organization, they need to implement good strategies in all stages of production.

New entrepreneurs pop up every day around the world. A strong re-enforcement on the impact of strategic management and enterprise resource planning has a strong impact to improve on the development of small and medium size enterprises all over the world. Organizations have different challenges they face in different societies when they are penetrating a market, which therefore requires the need for strategic management techniques. The business environment is changing drastically. It will be a fundamental error to say that only those businesses that operate internationally are affected by the concept of globalization. Many companies that do not operate internationally compete with others that operate within and externally to influence the international market. They might sell or buy goods that are produced within or outside other countries.

The fundamental environmental condition that surrounds a business continues to change rapidly. Today, managers continue to face new management demands as their responsibilities and tasks become more complex. To better ensure a sustainable management in their organizations, the management has to constantly work on amending their strategies adapt to the changing environment of the business world and to ensure a competitive advantage in the market. This work will go a long way to show the success and failures of some organizations in the implementation of some strategies in the business.

Strategic management is aimed at resolving two questions that are involved in every business which are “What is our target?” and “How can it be achieved?” Achieving the targets entails a proper implementation of strategies given the rate of competition in the business environment. Internal and external factors should be considered. It is therefore important to answer the following question, “What are the factors to consider?”

To better analyse the above questions, this thesis will look at some theoretical framework of strategic management and sustainable development and then later look at the empirical test of some factors that enhance a better strategic management of organizations taking company X as a case study. Theoretically, chapter two of this thesis will be based on the literature review of strategic management theories and how they are implemented in various organizations to enhance development. The third chapter analyses the ethical behaviours and sustainable development in the business environment. Chapter four analyses the impact of financial and none financial motivation on employees.

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## 2 STRATEGIC MANAGEMENT THEORIES

The greatest economic problem in the world today is that of scarcity. The factors of production used to produce goods, services are scarce but the needs, and wants of individuals are unlimited. Due to this in the market scenario, competition sets in giving room for organizations to always make efforts to a better quantity and quality of their products to better satisfy their customers and be market leaders in the case of barriers to entry. Strategic management therefore becomes a very important tool used by organizations like company X to manage the organization and her scarce resources to obtain her goals in the organization. This chapter will be based on analyzing the strategies firms consider for growth. The definition of strategic management by some authors will be presented. The elements of success in an organization will first be looked at which consist of a profound understanding of the competitive environment, its long-term goals and objective appraisal of resources. With the strategies implemented by firms, four different points of views will be analyzed. The classical, evolutionary, systematic and process strategies by firms will be analysed in this chapter.

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### 2.1 Success strategies

It is important to note that strategic management is an act that carefully defines the process of managing the internal and external activities of an organization to obtain the goals of the organization over a given period. Organizations therefore set up strategies and implement them to ensure a higher productivity and achieving their goals. Over the years, researchers on strategies that organizations can adopt to ensure better quantity and quality of their products have developed many different theories. Some of these theories will be analyzed in this topic. Nevertheless, it is important to note that strategy plays a fundamental role in the success of every organization. The fundamental question to take note of is the idea of Sun Tzu who wrote in his book titled “the art of war” asked what the characteristics of a strategy are which are conducive to success?

There are many characteristics of a strategy to succeed but in this study, four common factors are frequently observed in organizations that implements a good strategic management. They are

- Goals that are simple, consistent and long term

- Profound understanding of the competitive environment
- Objective appraisal of resources
- Effective implementation. Without effective implementation, the best-laid strategy is of little use.

The diagram below gives an understanding of the above four factors of successful strategy.

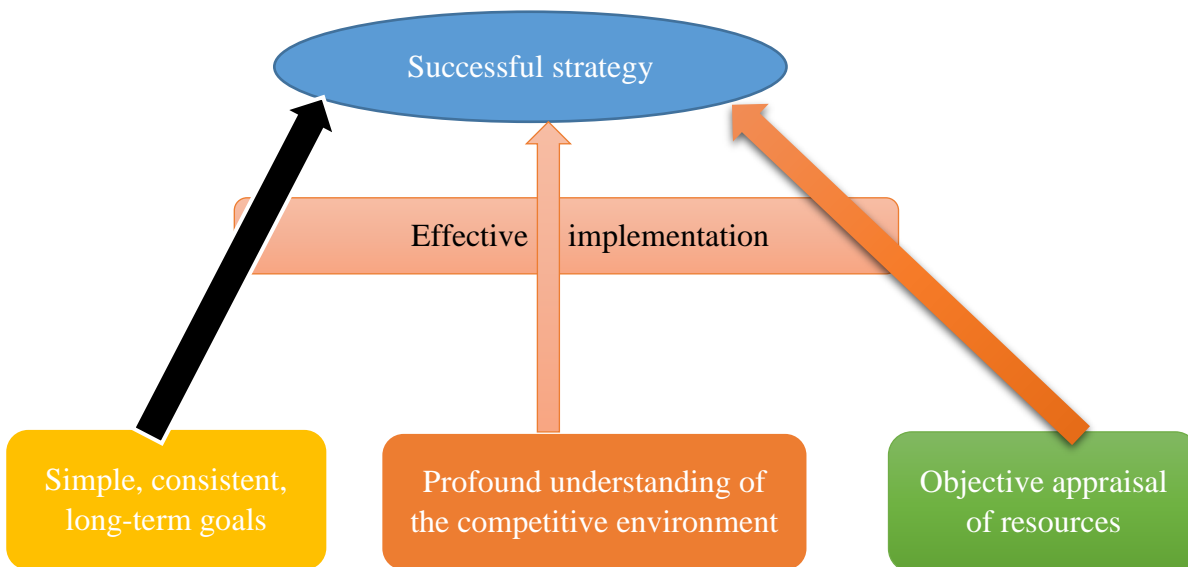


FIGURE 1. Common element of successful strategies (Adapted from Robert S. Grant, 1991)

Figure 1 describes the success strategies which when effectively implemented enhance growth in the organization. The organization needs to set values of being simple, consistent and having long-term goals. There should be a profound understanding of the competitive environment and objective appraisal of the resources. Just like the case of the armies who need strategies, organizations also need business strategies to give direction and purpose to deploy resources in most efficient manner and to coordinate the decisions made by different individuals.

## 2.2 Definition of strategic management

According to Huskisson (Madhok 2014, 69-76 [Huskisson 1999, 1-16]), strategic management is primarily concerned with the actions organizations take to achieve competitive advantage and create value for the organization and its stakeholders. Strategic management can also be defined as the systemic process identifying internal and external factors of an organization to define better objectives, formulate,



evaluate and implement strategies to achieve the objective. In the above definition, there are two main key points to take note of which are the competitive advantage and value creation.

With respect to the competitive advantage in the market, firms want to be better off than their competitors in the market are. They try to give reasons to their customers on why they should be preferred than others in the market. Organizations might do this by differentiating their products. Critical analyses on some of the theories in this research will further explain this idea. Two basic types of competitive advantage such as cost advantage and differentiation advantage are identified. The concept of competitive advantage is what makes a company better than the others in the minds of your customers. (Amedeo 2017, 1-15).

Value is also added to the organization and to the stakeholders. The organization might aim to maximize their profit and minimize cost. There is the need profit to move the investment forward and to develop the organization. Nevertheless, for better understanding, five different points of creating value can be analyzed how the strategy of a firm creates value in an organization. A firm's strategy defines its ultimate value proposition in term of those it is serving. The first thing to do for an organization is to know your customers and define yourself in terms of your customers. Different customers might have different value proposition. The values an organization is interested in and that she gives to the customers are the values the customers' demands from the organization. For example, different customers have different reasons why the drive a car. Maybe it is because of the size of the car, or the color of the car, or the horsepower of the car. All these are the values the customers have, and the values are what should be of prime importance to the organization. A strategy is an overriding purpose that can align and mobilize all parts of the organization. The strategy should be exciting and challenging to all the firm's stakeholders (everyone connected to the firm). Explains that the strategy should identify the business the firm wants to be in and differentiate it from others in its marketplace. Strategy is innovation and forward looking. It considers the future. A strategy should contain broad based goals and the specific means of measuring progress towards reaching those goals. Measurements towards meeting goals in an organization are very important to ensure the adjustments and obtain the goals (Academic J. 2018).

### 2.3 Strategies implemented by firms

Different organizations implement different strategies to manage their internal and external activities. The choice of the organizations on which strategy to adopt depends on the management. It should be noted that no strategy is better off than others. The graph below shows some different types of strategies.

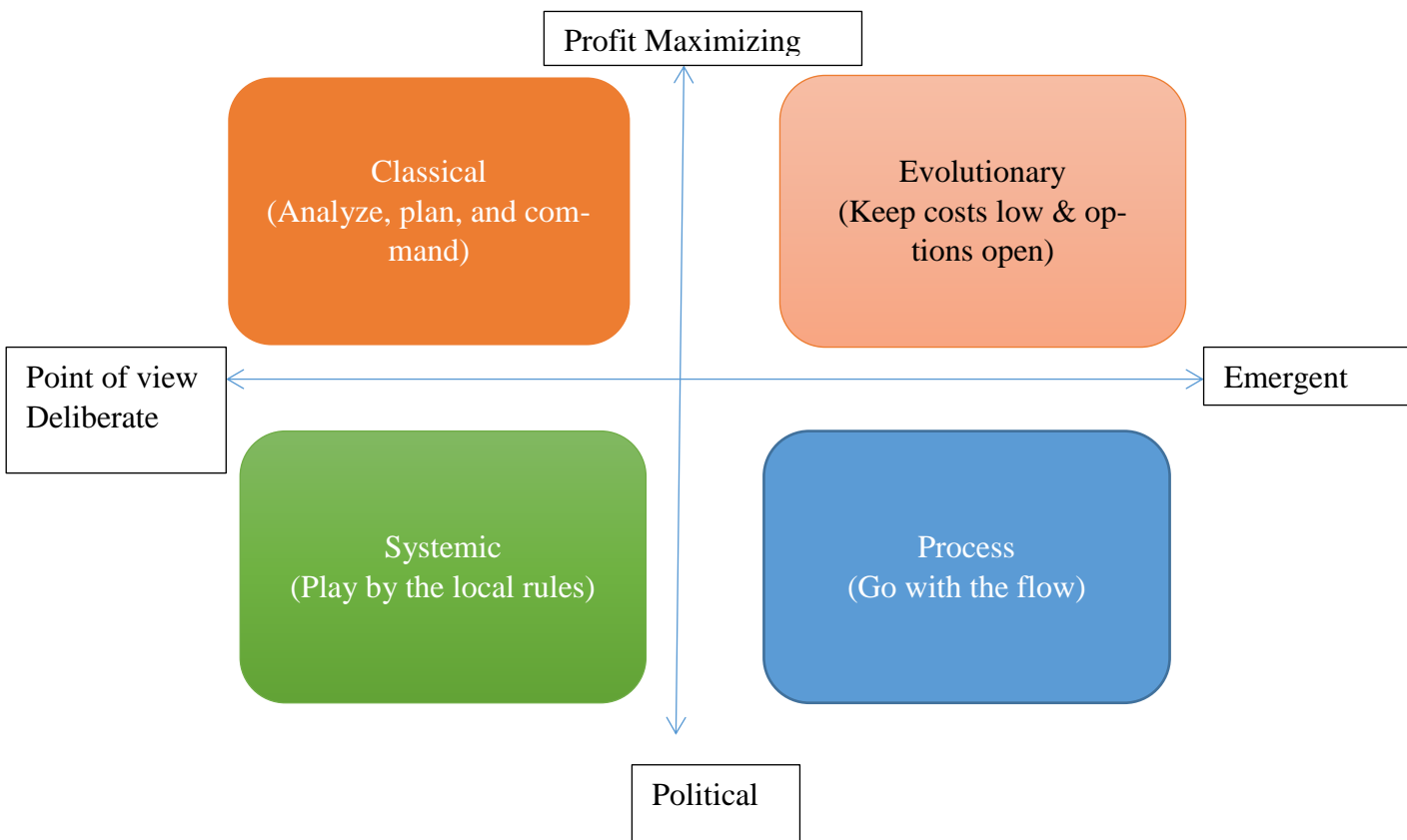


FIGURE 2. Different types of strategies (adopted from Whittington R. 2000, 3-9)

From the above figure the horizontal axes represent the points from the deliberate point of view to the emergent action. The vertical axes represent the profit maximization point of view, and the other represents the political point of view (Mintzberg 2006). An understanding of the above figure gives more light to strategic management.

The classical approach is seen to be rational and deliberate having as main objective to maximize profit. This approach uses the rational planning methodology such as PESTLE analysis to craft strategy (Mullins, 2007). The classical believe that the unilateral goal of an organization is that of profit maximization as the outcome of a strategy. The classical approach is based on analyzing, planning and commanding. The strategies are in the hands of the CEOs or the analyst in the company. The strategies are deliberate

and when they plan well, they met their plans and they succeed. During the 1980s and 1990s, the classical approach was widely used. The Maxims book in 1911 titled “thinking grow rich” states the approach the classical has which is based on the fact that the organization should, “Think about it, plan it well and good things will happen” (Mullins 2007, 44).

This approach relies on the ability of the market to secure a unitary goal of profit maximization. In this situation, cost is kept low and the options in the organization remains open. This approach is because evolution is cost benefit analyses. So therefore, whatever strategy the management puts in place does not matter. The main thing here is that organizations look at their core competencies and what these competencies can do in the market and then decide to set into the market or not. For example, in the Apple Company, they had the computer competency. From the computer competency, they moved to the iPad to the iPhone. They have been changing their product line and the values that they provide to customers, which emerge, with time in the market. The market will decide the best. This approach is like the classical approach in that they all have a unique goal, which is that of profit maximization. However, the only difference here is that evolutionary approach sees the environment as unpredictable and so changes with time. They share the same believe with the process strategy which also see the environment as changing with time but is different in that the evolutionary allows the market to determine the status quo and work it (Whittington 2001, 12-15).

In this approach, individuals in an organization try to merge their personal objectives as part of the organizations goals. This approach tries to seek to get people on board and to move the organization forward and to settle political problems or issues within the organization. This approach has a limitation in the choice in the strategy to be adopted. Strategy is the determination of the basic, long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for those goals (Whittington 2001, 12-13 [Chandler, 1962]).

The systemic approach is a deliberate approach of strategy, which favours the goals of individuals in the organization. This strategic approach is based on the socio-economic systems and the organizations goals that depend on the rules in which the organization operates (Whittington 2001, 12-13). The process and the outcomes of the strategy must be aligning with the cultural rules of the society.

The above approach to strategies are very much important and vital for their implementation in organizations to better up the organizations for a higher competitive advantage and value creation for the organization. It will be a fundamental error to say that one strategical approach is seen to be the best

amongst all and should always be implemented for all business. It is noted that, market environment keeps on changing constantly. They need a constant change of their strategies by the management to increase their value in creativity and competitive advantage. For a company to know the best strategy to implement, it is better for her to first understand her environment and then device ways of influencing the environment. Much attention also should be taken on the business ethical of the organizations have on their environment. To better understand this, the next topic will examine the business ethic and the impact of sustainable development on the environment.

### **3 BUSINESS ETHICS AND SUSTAINABLE DEVELOPMENT**

Many theories and concepts on business ethics have played a fundamental role to shape the business environment. Records of huge amount of success have been registered in businesses thanks to the role of business ethics in the organization. Despite all the successes recorded, there are still some failures that still exist in the business world today. It is believed that the reasons of some failures are from the corporation of businesses all over the world. This study therefore seeks to analyze some of the unethical behaviors and some of the proposed solutions to them that a company like company X can implement. To better understand the unethical behaviors and the solutions, it is very important to understand some of the reasons why business ethics fails before analyzing some of the proposed solutions.

#### **3.1 Reasons for the failure of business ethics**

The trustworthiness of the employees in an organization is most of the time questioned by the company management team. It has been noted that human agents make dirty things and engage themselves from the unethical things they themselves committed. This situation is so common with employees as well as organizations where they commit some acts that are against all ethical behaviors. A simple example can be seen with the case of a company that pollutes the environment going against the environmental laws. The negligence of such acts of the organization can be that they want to avoid the cost of treating their waste thereby polluting the environment. For example, in the company where I work, there is the login system that is used by every worker when we go to work and logging out when we finish from work. This system today is not being used by every worker and it is wrong for the company making the managerial work difficult. Globalization was unsustainable and unfair. All the international companies have to respect human rights, eliminate all forms of compulsory and forceful labor and abolish all forms of child labour (Sethi 2013, 61-100).

It is ethically correct to respect the human right values and protect the environment. For some international companies, they follow the corporation laws that are embedded into an institutional system that systematically spread and discounts responsibility. Corporation is a problem itself in that the various organizations work on their own interest forgetting the common ethical values of the environment in which they find themselves. Not all the ethical roles perfectly adapt to different societies. Companies in

corporation turns not to care for the reputation of the other companies because they work for their own interest (Whittington 2001).

Foucault (2000, 2-9) also argued that there are four ethical substances that should be worked on which are the feeling, intentions and how we are incited to recognize moral obligations. This is really a critical point in those organizations and individuals should adjust their feelings, intentions and the respect of the role of law in the organizations. In my company that I work, workers sometimes just go for sick leave when they do not want to come to work and others turn to be very slow when they are working and not even doing their work efficiently as it is required of them. All they are interested in is money not considering the wellbeing of the company and what their actions might cause to the organization (Jeanes 2016, 5).

The ethical market forces have been noted to be too weak to become compelling for corporation. Just like from above, investors and competitors are not preliminary motivated by ethical considerations which is true. They are much more interested with their goal, which can be that of maximizing the profit and minimizing their cost (Zsolnai 2016, 93-104).

Reflexivity goes beyond reflection in that it asks us to question our taken-for-granted assumptions and what we already know. This concept has only been treated like a theory rather than what is to be implemented. Most organizations and individuals assume that the ethical values of business are not of much importance and with this they turn to disrespect them (Jeanes 2016, 5).

It is also noted that ethics has been taken for granted by some researchers. Some of the researchers in their career might have just received theoretical knowledge and have little or no background on how things look like in organizations. With the research, they make, they turn to neglect ethics in the business. This therefore have a negative impact on the organizations that the research work was carried on (Jeanes 2016, 5).

Some researchers argue that ethics was often implicitly or explicitly linked with power and for critical management. Some people interviewed argued that when the management calls for any advice to the employees or give instructions to the employees, then it is an act of control on the organization, which is not correct. This argument with respect to the ethics in business is not correct because in every organization, the employees are meant to understand that teamwork is necessary, and management has as

obligation to give directive in the organization. This does not mean that they are controlling in the negative sense (Jeanes 2016, 5).

Research works in most disciplines suggest that emotion affects how we respond to ethical dilemmas, often at an unconscious level. Situations in the company that involves things as if fraud has to really be handed according to the law and not to be emotional with the whole situation. Being emotional is going against the ethical roles of the company and the society in which they are. Emotions have to really be dialed with in every organization (Bakan 2005, 30-41).

Much study has been made on the aspect of emotions and concluded that it greatly affects decision making in an organization. This situation is clearly seen in many organizations were the managers turn to handle unethical behaviors of some employees simply because they are from the same country or family but when it is with other employees, they become difficult. It is also seen in situations where some employers turn to increase the salaries of some workers and discredit other workers. This is unethical behaviors in organizations and therefore turns to slow down growth in the organizations (Baker 2017). Nevertheless, it should be noted that emotion could be triggered by looking at someone's joy or pains. When someone sees another one's pains or joy, their brains react in a way that is sympathetic to the situation at hand. The concern for other always affects the behavior of someone and the respond they give to that situation. According to the article Volkswagen was "Ethics in Business Award" winning company for its effort on environmental sustainability and corporate social responsibility. It was called "an example of universal values such as integrity, responsibility and respect for people and the environment". After the company's big success in 2015 by becoming world's biggest auto manufacturer they were issued with a notice of violation of the clean air act. (Rhodes 2016, 2).

### **3.2 Some remedies for the failure of business ethics**

Despite the weaknesses of the business ethics, it has been noted by researchers that business ethics plays an important role in the in the management of the environment and the respect of the society considering the corporative engagement of businesses. Much has been done to resolve the various weaknesses of the business environment by the international bodies. The Corporate social responsibility movement has neglected basic problems as poverty and inequality. The failure has therefore led to the adoption of more compelling regulatory means like laws, international treaties and organizations. According to Collins Mayer, the corporation is mainly for the development, delivery of things and to serve people, community

and the nations. He therefore argued that trust companies should be created. There will be a board of trustees charged with the role and duty of organizations. The limited liability of corporations is what has caused the irresponsible acts of the organizations. This argument according to me is very true in the sense that some of the organizations has act in the society negatively because what they might compensate for their negative actions is less than the profit they will have from their actions. Some companies in African countries deposit their waste products in river, which pollutes the river and becomes dangerous to the community. To resolve this, unlimited penalties should be given to the companies, which will force them to stop the negative action (Zsolnai 2016, 93-104).

Domestic laws could also be used to regulate company's behaviors abroad. This is seen in the case of the USA where NGOs used the Alien Tort act to bring corporation to court for human right violations committed abroad. The political commitment and leadership is needed because there are imbalances in the international law concerning multinational corporations. The world trade organization has regulatory influence on the free-trade paradigm. According to Ferdinand (2007), "Ethics is ethos; ethos is not about rules, not even perhaps about ways of being". You cannot legislate human judgement reflecting the idea that the self becomes ethical in exercising freedom according to Foucault (Jeanes 2016, 5). Humans can therefore choose to be ethical and see it as a duty in any organization. If every individual chooses ethical behaviors as a duty and sense of responsibility, the importance of giving voice, protecting participants, sensitivity to self and others in the business then the whole organization will be ethically correct which enhances environmental stability and growth in the company (Jeanes 2016, 5-9).

Conclusively the above research work from some business ethical articles, it has been discovered that most businesses face business ethical problems, which can be from either the employees or employers in an organization. There are many unethical behaviors in the society, which affects the environment as well as the growth of the organization. We have seen that there are many factors that affect the unethical behaviors for of the society. They can be political, economic or socio-cultural factors. Nevertheless, it should be noted that despite all these unethical behaviors from above, the understanding, respect and a good knowledge of the ethical behaviors goes a long way to maintain corporation within organizations and individuals taking in to consideration the respect of the environment, political and socio-economic factors (Jeanes 2016, 5-9).



### **3.3 The impact of sustainable development and globalization on the environment**

Due to the limitations in the factors of production (scarcity of resources), there is the great need for a strategic planning system and a proper observation of the ethical values of each society and organization having as objective to ensure continuous enhancement of a sustainable development of the environment. Many factors are taken into consideration when looking at the sustainable development of an organization or the environment. It is very important to admit the fact that the future of every organization or environment is faced with so many challenges. Governmental activities have an influence on the sustainable development of an organization or society. Researchers have made much study on the role businesses play on enhancing sustainable development. To a sustainable development at the macro level, organizations should consider business sustainability and it influences strategic management at micro levels of each organization. This research work aims at analyzing some research works on sustainability, the environment and on the business environment.

#### **3.3.1 Impact of sustainability on the business environment**

Many research works have shown that sustainability is not based only on the environment and the society but also involves the sustainable development of the companies themselves. This can be seen through benefits of cost reductions and the risk of doing business, competitiveness, increasing brand reputations and attractiveness to talents. Sustainability has much impact on the development of managerial strategies to enhance the future to the organization. The future of the organization is faced with challenges due to the simple fact that the business environment is dynamic and is influenced by many factors such as the political, economic, demographic and socio-cultural environment. Theories adopted by the companies become outdated with time and so new theories should be developed, tested and if validated then they should be implemented (Dyllick 2016, 156).

Most businesses are focused on making their own success stories and little or no attention is paid on the impact their activities might have on the sustainable development of the environment. Sometimes, there is a disparity on the company's goals and the environmental objectives. International organizations such as the World Bank has objectives on to reduce the rate of poverty in various nations, reduce global warming problem. They are aimed at looking for sustainable measure of enhancing development and promote growth in the various societies. Nevertheless, there is a disconnection of the sustainability of businesses and the environment. All can enhance this with the respect of the ethical rules. The United

Nations and other international bodies enhance this. For example, the Millennium development goals by the UN, the structural adjustment plans. They are all known as the global sustainability plans (Dyllick 2016, 158).

In the case of businesses, there are sustainable business practices, which are very important for the growth of the company. This concerns the models that are used by each company to ensure the sustainable development of the company. Theories are being used and growth models also used in various projects like the waterfall model and the agile models for sustainable development propose. Some of these models are models like the Prince 1, Prince 2, ISO 21500, ISO 26000 and other standard models (Dyllick 2016, 158).

### **3.3.2 The influence of government actions in sustainable development**

The capability of the government to ensure sustainable development despite the limited resources, poverty and inequality is an important issue that much attention should be paid to. The role of the state is also very important in its process of development. The action of the government to support institutions and building institutional capabilities is of prime importance for the sustainable development of any nation or organization. Research work shows that a reinvestment in public institutions may ensure sustainability despite the limitations in the resources (Ngoma 2004 5-9).

Governance is an important force that ensures the growth of institutions and ensures the sustainable growth of the country. The less developed countries as we have today, are not advancing because of the governance system that is used by the government. No good policies, models and reforms are being used by the government to ensure sustainable growth. Failed models and systems are used. The poor becomes much poorer while the rich becomes richer due to problems like corruption, marginalization, embezzlement of public funds, miss management of public good and the disrespect of public law and ethical roles. All those problems slow down the growth rate of the institution or country. Thus, sustainable development is undermined. Documents, which have been founded from institutions like NEPAD, acknowledge the fact that African countries are dependent, poverty level and conflicts continually increases even though most African countries are richly blessed with natural resources (Ngoma 2004, 5-9). Today, most African countries still complain of the lower prices of their raw materials in the world market. This was seen in the case of the Cameroon president who made mention of this problem of lower prices of raw materials of the raw materials in the UN summit in September 23, 2017. Nevertheless, lower prices of

resources in the world market might be an issue but one fact remains which is based on the political reforms on the policies and models adopted by the government of each nation prior to the demand of the country or institutions. If in governance, the government sees the society as their lap that keeps changing with time and aims for better results, then good governing policies, models will be adopted and revised as time changes to stand the test of time. Only then, one can say that sustainability is a major point of interest from the government. An example of sustainable development can be seen in a company in Finland like company X in that whenever there is work accident or any negative effect in the company, it is investigated critically and then majors are then taken which are strictly implemented to avoid that circumstance from happening again. This is what happens in most institutions in Finland right up to their governing system with a perfect democracy. A good educational system in all fields especially that of IT and all technical works of life and development management are very important for the enhancement of growth and ensuring sustainable development (Ngoma 2004, 5-9)

Risk management and opportunities are also very important issues in sustainable development in the organizations. This therefore greatly involves the proper strategic plan in the management of the risk and opportunities. Models that are used therefore in organizations are aimed at enhancing a sustainable development of the company just like the ISO 26000 guidelines, which emphasizes on the regular activities of the organizations. Value creation also is very important in the society and the company. Business sustainability has been involved with the creation of economic, ecological and social values (Dyllick, 2016). The integration of the social, economic, political and environmental issues in the society plays a very important rule in the sustainable development of businesses and the environment (Dyllick 2016, 156-158).

The basic understanding of sustainable development is that development can only be possible if we move beyond a narrow concern with economic development to ensure the basic needs of people being met. If the integration of the population is being taken into consideration when making decisions, then we can then talk of sustainable development. This is also, what should be done in companies by the management when they want to take decisions. The employee's fills highly involved, so becomes more productive, and thereby, enhance the sustainable development of the organizations or institutions. In companies or work places, employees are not just noticed by the roles that govern the organization, but they are also clearly followed by their performance and appreciations. When appreciated in any form be it financial or non-financial, they become very much motivated to increase on their performance and ensure sustainability. (Ngoma 2004, 6.) The issue of quality governance and sustainable development also has much to do with social capital, which is a critical element in developing countries. The aspect of giving

power is also very crucial. Power corrupts, and absolute power corrupts absolutely. All those in power must have a limitation of their power and they should see the interest of the society and the association they find themselves in. The respect for the needs of the society and the respect of the role of law by the governing and the governed promotes sustainable development (Ngoma, 2004 5-9).

### **3.3.3 Environmental protection on sustainable development**

Population growth rate is a very important for the study of the economic growth rate a country. In order to better understand this effect, it is important to make a comparative study of countries with a higher growth rate and those of lower growth rate. The per capita income of every country is greatly affected by population growth rate. According to the analyses of the World Bank in 2015, the per capita income for developing countries like China, India and Brazil were 6.7, 6.0 and 0.7 percent respectively and that of some developed countries like USA, UK and Canada, they are 1.6, 2.3 and 1.3. Population expansions can have detrimental or beneficial effect on economic growth. It should also be noted economic and CO<sub>2</sub> emission is related. Theories like the J curve and the U curve show the relationship between the economic growth and environmental quality.

Nevertheless, it has been noted by some researcher after their study that population growth rate raises economic growth and trade openness, capital and labor have a positive effect on the emission of CO<sub>2</sub> and environmental quality decreases then. On the other hand, the slow increasing rate of the population affects the country's openness to other countries and the capital and labor and the emission of CO<sub>2</sub>. Taking into consideration of the policy implementation, it should be noted that trade has a positive significant impact on economic growth. For less developed countries, the skill work force should be increased since the increase in the population affects the economic growth of the country. In some countries, it becomes over dependency and the country starts to face crisis instead of having a growth situation. In this situation, the government should adopt good growth models for the sustainable development of the country. Some of these policies can be conjunctural and long-term policies. Trade policies have to be set and executed to achieve both the short and the long-term policies of the country. About economic sustainability, there is an increase in profitability, cost saving, increased competitive advantage. Reforms are greatly taken into consideration for the countries or organization to grow (Kais 2016, 4).

From the above research work, analyses were made in the sustainable development of an organization and the societies. Much interesting points were picked out from the articles, which are based on political,

environmental, and socio-economic values of the society or organization on sustainability. Sustainability also depends greatly on the managerial mechanism that is implemented by the management team. The population growth rate and the environmental development also greatly affect the sustainable development of the society. Governmental policies are what greatly affect the growth of the sustainable development of the country based on the long run or the short run situation of the country. Despite the actions of the government for growth and sustainable development on the environment, it should still be noted that nation's growth in an organization greatly depends on the actions and strategies implemented by the management of the organization. Motivation in an organization places a key role in the management of an organization. The next chapter will look at the impact of financial and non-financial motivation on the behaviors of employees in an organization.

## **4 THE IMPACT OF FINANCIAL AND NON-FINANCIAL MOTIVATION ON THE BEHAVIOURS OF EMPLOYEES IN AN ORGANIZATION**

Much research work has been done on the impact of motivation in an organization. The understanding of motivation in an organization can be seen looking at the relationship that exists between the employees and the managers in organizations. To better understand this concept of motivation, the following research question should be analyzed. “How do managers in an organization motivate their employees to be much more productive? “Motivation normally is important in an organization because it enhances the performances of employees to bring out their very best in the organization to improve on the productivity of the organization. Nevertheless, to better understand this, it is very important to take note that there is the financial and the non-financial motivation that employers can use to motivate their employees. This work also explains the intrinsic and the extrinsic forms of motivation. Maslow’s theoretical frame works like the hierarchy of needs is analyzed to facilitate the understanding of this research work, a case study that was conducted on motivational issues in the credit west bank Cyprus will be analyzed from which a conclusion will then be taken from it to show if motivation is important in an organization. The understanding of this case comparatively will help to improve on our knowledge on the motivational techniques in company X.

### **4.1 Theories based on motivation**

Many individuals have defined motivation in so many ways and the most interesting definition is that of Robbins (2003, 155). He said motivation is because of the interaction between individuals and situation. Robbins acknowledges that individuals have different needs and wants and that the interaction of individuals and situations plays a major role on the motivation of individuals. Nevertheless, motivation is the driving force behind every mission, passion, belief, strong hold, decision and the strength needed to achieve goals and reach the result.

Two types of motivation are distinguished. The first is the intrinsic motivation, which comes from within an individual without the need of any external stimuli to obtain this motivation. The second type is the extrinsic motivation, which is because of external stimuli for an individual to produce or make good results expected. Nevertheless, (Armstrong 2009, 318) concluded that the intrinsic motivation is more

powerful in the long run since what comes from within an individual is very strong and give more satisfaction for the individual. Nevertheless, it should be noted that performance in every institutions or organizations depends greatly on the motivation of the personnel's, the ability of the work force and the environment (Armstrong 2009, 318).

Organizations and the managers of the organizations are faced with challenges on how to motivate their employees so that they can become more productive and add value to the organization. Many theories have been developed to explain how motivation is created and how this can help the management board in an organization to develop the process of production and the creativity in their personnel's. Most of these theories are complimentary to each other. Some of these theories are the Hierarchy of needs, the two-factor theory, expectancy theory, equity theory and the job characteristics. Organizations that use these motivational methods to ensure are much more open to a great change and an improvement in the growth of the organization. It should be noted that motivation also plays a role in increasing the core competences of an individual, group or on the managerial competence of the organization (Robbins 2003, 176).

## **4.2 Hierarchy of needs**

From every indication, motivation is the willingness to implement a higher level of one's ability towards the achievement of the organizational goals. The hierarchy of need was a theory developed by Maslow, which comprises a five-tier model of human needs represented on a pyramid. His explanations were that people are motivated to achieve certain needs and that some needs come first before the other. Maslow's hierarchy of needs is the most famous example on the theory of motivation. He classified needs into different levels, which are self-actualization, esteem, belongingness, safety, and physiological needs. (Maslow 1943).

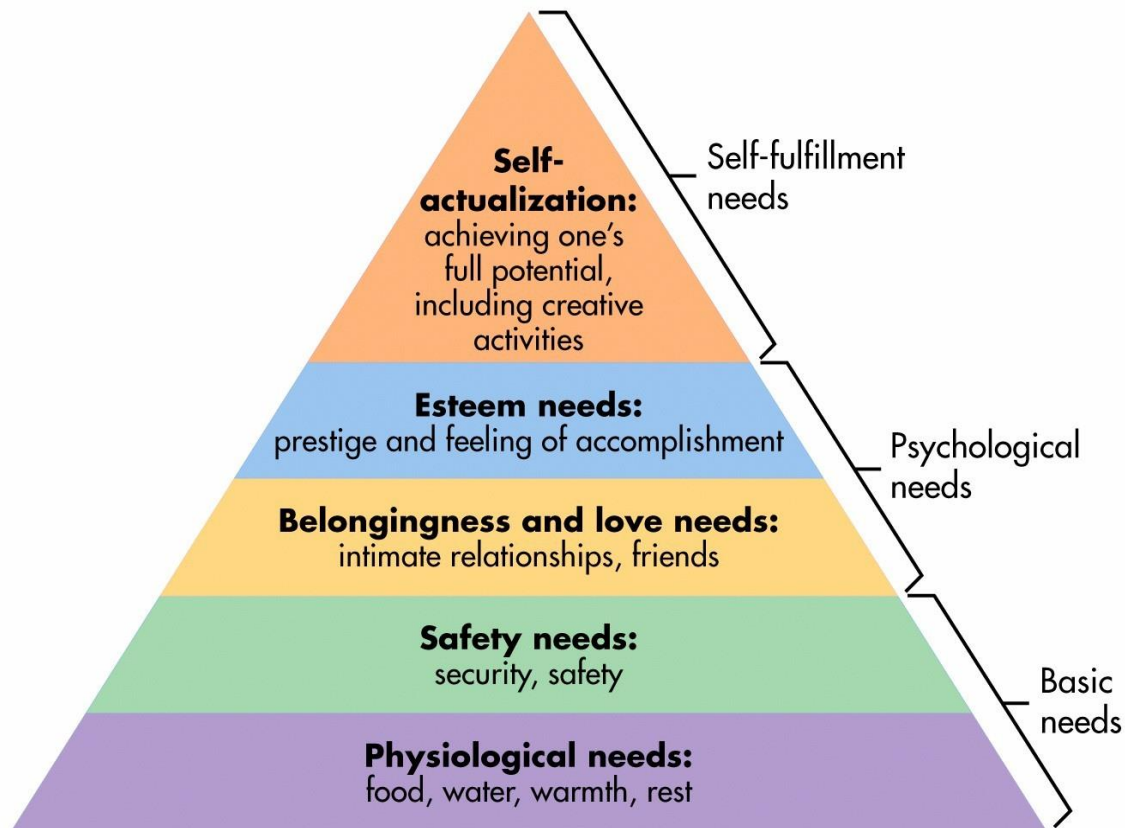


FIGURE 3. The hierarchy of needs by Maslow (adopted from Start publishing 2012 [Maslow 1943])

The above figure of Maslow's classification of the needs shows that the lower needs of individuals are satisfied first by an individual. Those needs should be fulfilled before the others. From the bases of common sense, the needless to bother much on what to wear when the individual is hungry and needs food. In this situation, basic needs like education, religion, hobbies, personal growth, training, advancement and creativity, which are the self-actualization for an individual, are necessary. Another example can be that if a man does not have a shelter then it becomes difficult for him to think of buying a luxurious car for himself. The esteem needs are those needs of an individual that depends about the family, friends and community approval. It also depends greatly on the teams, recognition, high status, responsibilities. (Start publishing 2012 [Maslow 1943]).

There is need of belongingness. These are those needs that an individual should fulfil for the sake of belonging into a community or society. For the home, the individual might have that need to belong to a family, friends, clubs, teams, depts., co-workers, clients, supervisors and subordinates. The need of safety is one of the most essential needs that the society needs. For homes, they try to be free from war, poison and violence. For jobs, the workers will be willing and ready to work where they have work



safety, jobs security and health insurance. Nevertheless, it is important to note that Maslow's theory on the hierarchy of needs is very important and tries to show how individuals are rational in the satisfaction of their needs given that resources are limited. His theory goes a long way to show the opportunity cost situation of individuals deciding on the needs they have and the scale of preference for these needs. (Start publishing 2012 [Maslow 1943]).

Nevertheless, it should be noted that there are many motivational theories and clear explanations on the various motivations. For instance, the Acquired needs theory is explained by the fact that some needs are acquired because of life experience. He went ahead to say that we have the needs for achievement, accomplished something difficult as kids are encouraged to do thing for them. He also said there are needs for affiliation and that the last kind of needs is needed for power, control others. There is also the Cognitive theory, which suggests that there are two motivation systems, which are the intrinsic, and the extrinsic motivations. The Intrinsic motivators are achievements, responsibility and competence. The extrinsic motivators are salaries, promotion, feedbacks, working conditions, things that come from a person's environment, controlled by others. From the above theories, it can be deduced that motivation plays a very important role in the life of an individual, group of persons or an organization. It is therefore very necessary to know the importance and the role motivation plays in the life of an organization and most importantly, to know if it can have any opportunity cost on the growth of the organization. The diagram below shows the hierarchy of need by Maslow.

### **4.3 Importance of motivation to an organization**

As far as managing and leading a group of people in an organization is concern, motivation plays an important role in the growth of the organization. It has much to do with bringing out the competences of employee that are motivated. The motivation of employees in an organization can be highly instigated by the leaders of an organization. The very first reason why people will leave their jobs in an organization is that they do not feel appreciated. The manager has much impact on the competences of the employees. It is always important to try to figure out the different ways to motivate the team and make sure they bring out the best in them to increase their productivity in the organization. A research was conducted by the Harvard University where they found out that only 27% of those who are employed are actually fully engaged in their job. In a worldwide base, the percentage is 13% of those who are fully engaged in their jobs. When a team is active and much more active, then they become much more productive. Different things motivate each individual and it is therefore the duty of the leaders to determine the different things

their employees are motivated with. Some of the motivators are responsibility, promotion, special achievements and job security. It is important to know what makes a person stay for long in a company. The ownership of the company should truly believe the employees in the organization are the number one then we can talk more of the customers who can take the second position. Dale Carnegie (1990) in his book titled "The leader in you" brought out key points concerning the motivation of employees. Some of them are:

Looking at things from another person's point of view. It is very important for the leaders to allow the employees to express their own position with the look of things and then link it with the position of the organizational objective. Some leaders also are encouraged when they are appreciated and praised. The genuine appreciation from the leaders is very important for the employees and this goes a long way to ensure that the productivity of the company is increased. When a word of thanks giving is given to the employees, they are much more likely to help again more and more.

It is also very important when the employees feel respected and their dignity seen by their leaders. They then feel at home and comfortable with the job and turn to increase their productivity. What people will like to do at the end of the day is that they will really like to be productive and will like to fill well with what they are doing. Leaders should therefore be helpful to the employees so that they can bring out the best in them and increase the productivity in the organization. It is important in this like to understand the various ways in which managers can motivate their employees to enhance productivity.

As it is mentioned above, employees can be motivated in an organization in many ways. Some of the various forms of motivation have been indicated above by the motivational theories. Nevertheless, it is very easy and important to look at the motivational methods implemented by the managers of an organization through the financial and non financial means of motivation. The financial motivation is as follows: The motivation in work as well as organizational psychology is concerned with the energetic forces that originate within and externally with the environment of an individual to influence the initiation, direction, intensity and duration of action. This therefore means that the enhancement of productivity and a greater income level is because of the motivation of the individuals or employees of the organization to give in their best in the production process. The motivation that the employees have comes from external factors can be because of the managerial action.

The social cognitive theory in 1970 and theories of action emerge and looked at the gap between the individual goals and the performance goal. The management of this gap between the individual and the

performance in an organization is highly influenced by the actions of the managers on their employees. The managers in an organization should figure the way in which they should motivate the employees and increase productivity in the organization. This can be done by implementing the financial or the non-financial motivation (Ruth 2016 [Carver 1981]).

The financial motivation can take the following forms. It can be done either through salary increase, discount rate, becoming shareholders of the organization and giving paid holiday. Salary increment is a very important factor that employers use to motivate employees in bringing out the best and contributing in meeting up with the goals of the organization as plan. Since employee's main motive of working is to get better income to increase their standard of living, it is very important for managers to get so close to all the employees and motivate the employees that have higher potentials and are ready to do more in the organization to increase the productivity. Nevertheless, it should be noted that salary increase is not the only way to motivate employees. Some employees that already have higher incomes and are satisfied with the salaries they have find no need for salary increment. This only goes a long way to indicate clearly that employees also need other forms of motivation. The employees can become shareholders in the organization in which they are working for. Psychologically, it is noted that employees become much more productive and involved in the production process when they have a share in the organization they are operating with. For instance, a taxi driver will devote much of his time when he owns the taxi or a share in the taxi. Employees become very free to give their own opinions and test new developmental methods to increase the outcome. Employers sometimes give additional paid holidays to employees for the work well done. Paid trips are given to employees by their organization for their job well done. This goes a long way to increase the willingness of the employees to perform much task and ensure that they meet up with the company's goals (Ruth 2016, 6-19 [Carver 1981]).

In an organization, which deals with the production of goods and services, it is very easy for the employers to give discount to the employees as a form of motivation to some of the employees who have proven to be highly valuable in the organization. In some cases, the employers decide that all the employees get a discount in the on the product that they produce (Ruth 2016, 6-19 [Carver 1981]).

With the above financial theories of motivation, it can still be deduced that they are not still sufficient to ensure the motivation of employee's kind and organization since the cognitive behavior of the employees is highly involved. The non-financial motivational means are also very important in the motivation of the employees in an organization. Some of these nonfinancial motivations can come from within the individual as well as the external environment of the individual (Ruth 2016, 6-19 [Carver 1981]).

Employees who are doing a great job are rewarded by clapping for them in meetings. This gives more room for the employees to be highly productive and seen as an example of a good worker. He or she will like to do more to ensure that the productivity of the company increase. Promotion in an organization is also very important in that employees feel very much involved and respected in the organization. So, he or she will put in maximum efforts to ensure that he accomplish the task given on time. For instance, if an employee is promoted as the leader of a team, the employee will make sure that the task that is given to them must be accomplished on time. The best way for managers to manage an organization is to give post of responsibility to the employees in the organization. That way, the employees will do their job as expected from them (Ruth 2016, 6-19 [Carver 1981]).

When a job offers some other amenities such as accommodation and a service car, the employee is highly motivated to do more in the organization and to ensure that the company keeps on growing. The more the company makes the employee to be much more comfortable like providing the employee with a good office, the more the employee is motivated to work more and ensure her productivity in the company. Nevertheless, it should be noted that from the above findings, it is based on the goals, choices and self-regulations, which predict the cognitive approach of individuals in an organization (Ruth 2016, 6-19 [Carver 1981]).

The research work above is all about the impact of motivation on employees in an organization. It is necessary to take note here that managers in an organization basically use two different approaches in the organization to motivate their employees. Either through the financial or the non-financial motivational methods. Nevertheless, findings show that many different theories of motivation have been tested and proven true for organizations. The research work above explained the intrinsic and the extrinsic motivations. Intrinsic motivation is that motivation which comes from enjoying or finding interest in doing something meanwhile extrinsic motivation is that motivation which comes from external rewards or to avoid negative consequences. For a better understanding of the above theoretical reviews of the different chapters, an empirical test study will be conducted on company X which will help to facilitate the understanding of the impact of strategic management in an organization.

**5 RESEARCH ON STRATEGIC MANAGEMENT IN COMPANY X**

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## 6 CONCLUSION

The main objective of this research work is to study the impact of strategic management on the growth of SMEs. To better understand and carry out a research on this topic, the research question was based on looking at “the impact management has on the internal and external factors of SMEs to strategically influence growth”. The aim was to know if the internal and external factors of the organization need strategic management due to the unlimited resources and the competitive environment. It was discovered that every organization is aimed at creating value and obtaining a competitive advantage. In this research work, the quantitative and qualitative techniques were used.

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Much theoretical work was also included in this research, including some topics. Chapter two of this research analyzed and explain some strategic management theories and chapter 3 was based on business ethics and sustainable development. Chapter 4 focused on financial and non-financial motivation in an organization.

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**APPENDIX 1**

**QUESTIONNAIRE FOR COMPANY X WORKERS IN KOKKOLA**

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