



Research Paper

## Effect Of Strategic Evaluation And Control On Financial Performance Of Small And Medium Enterprises In Juba, South Sudan.

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### ABSTRACT

The SMEs play a fundamental role in economic growth in East African region with inclusion of South Sudan contributing around 70% of the country's GDP that employed almost 63.6% of the workforce. The adoption and implementation of the strategic planning practices like strategic formulation, implementation, evaluation and control by these SMEs has been inadequately addressed. The main drive of this research paper is to evaluate the effect of strategic evaluation and control on financial performance of SME's in Juba, South Sudan. The research design used was the cross sectional method. The target population of this study consisted of 4,951 registered companies as per the Ministry of Justice and Constitutional Affairs of the Republic of South Sudan, 2019. This study used the formula by Krejcie and Morgan Table to select a sample size of 381- registered company from a target population of 4,951 of small and medium enterprises in Juba, South Sudan. Data was collected using the structured questionnaires. A pilot test was conducted on 39 respondents from Tereka County which is outside Juba City to verify the reliability of the data instrument. Content, construct and face validity were done and reliability of the research instruments was achieved through conducting reliability analysis which yielded a Cronbach Alpha coefficient of 0.805. Strategic evaluation practice had a statistically significant impact on the financial performance of SME's in Juba. Effect of strategic evaluation on the financial performance of the SMEs in Juba, South Sudan reduces with increase in the strangeness of the government regulations imposed on the SMEs. Recommendations of the study were: owners and managers of SMEs in Juba South Sudan should examine and progressively implement strategic plans being in mind the strategic implementation indicators like organizational tasks, strategic vision and mission statements which should be well incorporated and implemented. The government of South Sudan should lessen their regulations towards the SMEs operations in Juba, South. This would improve the financial positions of the SMEs and their effect would be felt in the running of the economy. The results of the study would be useful especially in providing additional information to current and future establishments of strategic planning practices in organizations if implemented and to allow them to remain competitive. Other beneficiaries would include planners, academicians, finance experts the Ministry of Trade and Industry and the people of South Sudan in general.

**KEY WORDS:** Strategic Evaluation, Strategic Control, Financial, Performance, Small and Medium Enterprises

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### I. BACKGROUND TO THE STUDY

Strategic planning allows companies to be more constructive than reactive in their operations in order to fulfill the vision package to the present extent. Newman (2018) not only recommended the necessity for more studies there are critical to African countries but also conclusive studies that include different categories within the countries. Reviewed studies show that most research on strategic planning practices have not covered strategic planning practices and financial results both locally and globally. The goal of this study was to fill this gap in the literature by answering the following questions; what are the strategic planning activities undertaken by small and medium-sized enterprises in Juba, South Sudan?; What are the effects of strategy planning practices on financial performance of small and medium companies in Juba, South Sudan? Therefore, the study intends to answer these questions.

According to Surdu *et al.* (2019) state that strategic planning practices include formulating the vision and mission statement, performing situational analysis, and finally formulating and deciding the strategy. The

strategic decision determines the organization's external relationship, includes the organization as a whole, depends on input from every functionality of the organization, influences the administrative and operational activities directly and is essential to the long-term health of an organization. Strategic planning practices is important because the focus of our customers, quality management, technology strategy, Research & development, manufacturing strategies, human resource strategies and financial strategies, the performance of the organization's performance must be supported by strategic decision making. Strategic planning is a disciplined endeavor to produce essential decisions and actions that shape and guide what is and why the organization. It allows organizations to anticipate and handle rapidly changing and dynamic environments and accounts for resources allocation (Kanini, 2012).

According to Alharbi, Dowling and Bhatti (2019) by the mid-1960s, the importance of strategic planning practices was fully embraced in the Western corporate world because it was the best way to execute strategies that increased market productivity and effectiveness. However, by the middle of 1990s, some researchers had started to challenge the role and importance of strategic planning in corporate practice in recent years. With reference to the Gulf region, evidential strategy implementation research shows shortage in the Gulf region. According to more than 260 papers published during the first decade of the twenty-first century, only three papers in the Middle East had drawn significant attention on the important aspects of strategic planning practices. This is an operational declaration that can temporarily define and describe the attractiveness of organization and its objectives. It is considered to be a strong statement that conveys the ideals, mission, identity and first objectives of the company to so many.

### **Statement of the Problem**

The SMEs play a key role in transition and developing countries. These firms typically account for more than 90% of all firms outside the agricultural sector, constitute a major source of employment and generate significant domestic and export earnings. As such, SME development emerges as a key instrument in poverty reduction efforts (OECD, 2004). The SMEs play a fundamental role in economic growth in East African region with inclusion of South Sudan contributing around 70% of the country's GDP that employed almost 63.6% of the workforce. Therefore, the importance of SME's to a country's GDP has been linked to the financial performance of SME's. The adoption and implementation of the strategic planning practices like strategic formulation, implementation, evaluation and control by these SMEs has been inadequately addressed. This could explain poor financial performance by these SMEs in Juba South Sudan. To add more weight to this a World Bank Report by Quak *et al.* (2019) that revealed that majority of SME's in Kenya and South Sudan have recorded poor financial performance. The Report indicated that SMEs in other countries perform better financially than those in South Sudan. Previous studies pertinent to strategic planning and financial performance of SMEs have largely focused on particular elements in the strategic planning process and how the same influence SMEs' performance in other countries apart from Juba in South Sudan. Studies on the strategic planning practices and financial performance in Juba, South Sudan are very few yet information accruing from these studies is integral for policy and decision making. Where studies have been carried out there have been mixed and inconclusive results and have been carried out in other countries save South Sudan, for example: Odame (2007), for example, examined strategic planning process in general. Murimbika (2011) examined the relationship between strategic planning and entrepreneurial orientation in the financial and business sectors. Naidoo's (2006) study examined the strategic processes in the retail sector, Laljit (2006) evaluated the business strategy development among SMEs, while studies by Nkulu (2012) and Mohutsiwa (2012) focused on strategic planning small- and medium-sized retailers and the relationship between entrepreneurship and performance of SMEs in South Africa, respectively. Therefore, this is the lacuna that this study sought to fill in by undertaking a study on the effect strategic planning practices on financial performance in Juba, South Sudan.

## **II. LITERATURE REVIEW**

Bauml (2014) carried out a research with an aim of investigating the impact of strategic performance management on the alignment of employees and organizational performance of SMEs. The study was conducted by collecting primary data through sending emails to owner-managers and managing directors of Swiss and Singaporean manufacturing SMEs in Switzerland and Singapore. The results of their study indicated that use of measures is positively associated with strategic alignment, which in turn improves organizational performance. Their general results indicated that strategic evaluation positively affects organizational outcomes such as organizational performance.

Using descriptive research approach, Abdalla (2015) sought to determine the effects of strategy evaluation on organizational performance at Centre Star Company Limited. The population for this study comprised of all the 200 staff members at Centre Star Company stratified in departments; administration, logistics, operations and sales & marketing. The study showed that strategy evaluation at CSC facilitates organizational direction setting as it ensures compliance to organizational vision, streamline operations to

specific objectives, targets correcting strategic directions and establishes common tactics and purpose. Secondly, strategy evaluation results helps in inspiring and motivating employee at CSC as it enables employees measure their performance; helps employees in determining the nature of adjustments needed; helps employees relate their objectives to that of the organization; good results inspires hard work; and the information inspires better work. Third, strategy evaluation at CSC is used as a tool for benchmark with other industry players. The evaluation is used to compare performance or peers; compares performance to industry standards; compares performance among departments; and compares performance between strategies. Finally, strategy evaluation results helps in legitimizing the use of strategy at CSC. The evaluation results legitimize management's actions in the eyes of the shareholders; customers; government and the general public.

Owich (2017) focused on listed companies to determine strategic management process effect on performance. Specifically interest was on forming, implementing and evaluating strategy and it examined regulations as a moderator. The study used explanatory research design and targeted 325 senior managers. Findings revealed that strategy evaluation was found to be insignificant. Also regulations failed to moderate the relationship.

Kitonga, Bichanga and Muema (2016), carried out a research with an aim of investigating the relationship between strategic evaluation and organizational performance in not-for-profit organizations. The study was carried out by collecting primary data from the NPOs and other members of top management team (project managers) from the sampled not-for-profit organizations in Nairobi County, Kenya. The regression analysis results indicated that all the components of strategic evaluation named correlate positively with organizational performance. The results further indicated that strategic decision and human capital correlate significantly with organizational performance while ethical practices and organizational control do not have a significant correlation with organizational performance. Their general conclusion is that strategic evaluation has a positive significant relationship with organizational performance.

Nthini (2013) carried out a research with an aim of investigating the effect of strategic evaluation on performance of commercial and state corporations in Kenya. They used descriptive survey design and collected data using questionnaires. Strategic leadership was divided into several components namely determined corporate strategic direction, effectively managed corporate resource portfolio, emphasized effective organizational culture, emphasized ethical practices and balanced organizational controls. The analysis of strategic evaluation in commercial and financial state corporations showed that, in positive organizational culture core values, symbols and ideologies are shared. Balanced organizational controls showed a positive strong relationship with annual employee turnover. All the components of strategic evaluation correlated highly with customer satisfaction, return on investment, net profit margin and low annual employee turnover.

Using quantitative research design, Koskei, Katwalo and Asienga (2013) conducted a research with an intention of investigating the influence of strategic evaluation on organizational performance of research institutions in Kenya. In the research methodology they used stratified random sampling technique. The results from regression analysis indicated that strategic leadership capability was positively and significantly related to research institution's performance.

### **III. RESEARCH METHODOLOGY**

#### **Research Design**

This study used a cross-section survey. According to Veeru (2012), across sectional survey was used because it allows great amount of data to be collected over a brief period of time. Quantitative approaches were used which enabled the researcher to gather data in an exceedingly relatively shorter period.

#### **Study Population**

The study population consists of 4,951 small and medium enterprises founded in Juba, South Sudan (three Payams states: Juba, Kator and Munuki, from the Ministry of Justice and Constitutional Affairs of the Republic of South Sudan, 2020).

#### **Data Analysis and Presentation**

After data collection, the completeness and accuracy of all the questionnaires were reviewed before coding. Data processing was carried out on the completed questionnaires after editing, coding and cleaning. The data collected was analyzed using descriptive statistics and inferential statistics using SPSS (version 25).

**IV. DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION**  
**Strategy Evaluation Practices among the SME'S in Juba, South Sudan**

**Table 1: Descriptive Statistics of Strategy Evaluation Practice**

Statement	SD	D	SHA	A	SA	Mean	Std. dev.
In our organization, reviewing strategy process involves a continuous watching brief, which is required when potential problem areas must be identified before they become a major issue.	16 6%	13 5%	108 39%	40 14%	99 36%	3.699	1.172
In our organization, reviewing strategy process involves a series of regular formal reviews.	8 3%	21 8%	113 41%	99 36%	35 13%	3.478	.912
The review strategy process includes reviews at the end of each critical path feature and at the end of each phase.	6 2%	112 41%	50 18%	53 19%	55 20%	3.141	1.211
In our organization, we ascertain the extent to which strategies have been applied and achieved through profit margins.	18 7%	121 44%	31 11%	56 20%	50 18%	2.996	1.278
In our organization, we determine the extent of application and achievement of strategies via sale growth.	28 10%	101 37%	37 13%	61 22%	49 18%	3.007	1.307
In our organization, we establish the extent to which strategies have been applied and achieved by the return on investments.	31 11%	104 38%	43 16%	45 16%	53 19%	2.946	1.327
In evaluating strategy in our organization, goals must be consistent with the organization's overall strategic direction.	14 5%	18 7%	104 38%	41 15%	99 36%	3.699	1.169
In our organization, there is need to consider strategy within the context of sets of trends or combination of trends rather than individually against a single trend	8 3%	26 9%	109 39%	98 36%	35 13%	3.457	.931
In evaluating strategy in our organization, we use feasibility as the degree to which the plan can be applied without placing the resources of the company under undue strain.	5 2%	116 42%	47 17%	53 19%	55 20%	3.134	1.212

  

Average level of Strategy Evaluation	Mean(%Mean)	Std. Dev.	Std. Error of mean	Minimum	Maximum
	3.28 (65.6%)	0.837	0.050	1.0	5.0

The descriptive statistics of strategy evaluation practice as a measure of strategy planning among the selected SMEs in Juba, South Sudan, were evaluated in the report, and the results are shown in the Table 1. The findings of Table 1 show that majority of the respondents 39% and 41% somehow agree that reviewing strategy process in their respective firms involves a continuous watching brief which is required when potential problem areas must be identified before they become a major issue, and also involves a series of regular formal reviews respectively; the mean level of the reviewing process was 3.699 (Std. dev. = 1.172) and 3.478 (Std. dev. = 0.912) respectively, both rated moderate. Majority of the respondents 44% disagree that their respective firms ascertain the extent to which strategies have been applied and achieved through profit margins; the mean average extend was 2.996 (Std. dev.= 1.278) rated moderate.

The majority of SMEs in Juba, South Sudan, do not appear to be determining the extent of application and achievement of strategies through sales growth, as indicated by the majority of respondents, 37% disagreeing and 10% strongly disagreeing; the mean level of extend was 3.007 (Std. dev. = 1.307) rated moderate. According to the majority of respondents, 38% disagree and 11% strongly disagree, most SME's in Juba, South Sudan, do not seem to be determining the degree to which policies have been implemented and accomplished through return on investments the mean extend was 2.946 (Std. dev. = 1.327) rated moderate (see Table 1). The majority of respondents, 39% and 36 %, agree that their respective organizations should consider strategy in the form of sets of trends or combinations of trends rather than individually against a single trend Unfortunately, most SMEs in Juba, South Sudan, do not define feasibility as the degree to which a proposal can be implemented without putting the company's resources under undue strain; this was suggested by the majority of respondents, with only 42% disagreeing. (See Table 4.12); the mean level of satisfaction was 3.134 (Std. dev. = 1.212) rated moderate.

On average, the overall level of strategy evaluation among the SMEs in Juba, South Sudan is 65.6% (mean = 3.28, Std. dev. = 0.837) rated moderate; This means that the majority of SMEs in Juba, South Sudan, do not efficiently analyze organizational methods to identify areas for development in order to achieve optimal activity. As a result, the analysis looked into whether a lack of successful organizational strategy assessment was affecting the moderate financial performance.

The third objective of the study was to examine the effect of strategic evaluation on financial performances of SME's in Juba, South Sudan. To achieve this, the study sought to test for the following third null hypothesis;

*H<sub>0</sub>1: There is no significant effect of strategic evaluation on financial performance of small and medium enterprises in Juba, South Sudan.*

The findings were as shown in Table 2. From Table 2, ANOVA findings show that F-Statistic is significant,  $F(1, 274) = 235.652$ ,  $p\text{-value} = 0.000 < 0.05$ ; the findings suggest that the model was a good fit for modeling the linear relationship between strategic evaluation and financial performance among SME's in Juba,

South Sudan. The model (strategic evaluation) explained 46.2 % in the financial performance of SME's in Juba, South Sudan, as measured by the r-squared = 0.462 (see Table).

**Table 2: Linear Regression of Strategic Evaluation Practice on the Financial Performance of the SMEs**

<b>Model Summary</b>						
Model	R	R-square	Adjusted r-square	Std. Error of the Estimate		
3	.680 <sup>a</sup>	.462	.460	.540		
<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.664	1	68.664	235.652	.000 <sup>b</sup>
	Residual	79.838	274	.291		
	Total	148.502	275			

a. *Dependent Variable: Financial Performance*  
 b. *Predictors: (Constant), Strategy Evaluation*

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		$\beta$	Std. Error	Beta		
	(Constant)	1.414	.132		10.728	.000
	Strategy Evaluation	.597	.039	.680	15.351	.000

a. *Dependent Variable: Financial Performance*

The findings of the regression Coefficient shows that the unstandardized beta coefficient for the Strategic evaluation variable was significant;  $\beta= 0.597$ ,  $t = 15.351$ ,  $p=0.000 <0.05$ ; As a result, the study rejected the null hypothesis and concluded that strategic evaluation practice had a statistically significant effect on the financial performance of SME's in Juba, South Sudan.

According to the coefficients results, strategic evaluation practice had a positive standardized beta coefficient value of 0.680. These findings indicate that a unit improvement in strategic evaluation practice is likely to improve financial performance of SME's in Juba, South Sudan by 68.0 %. The model's constant was found to be statistically significant;  $\beta= 1.414$ ,  $t = 10.728$ ,  $p=0.000 <0.05$  (see Table 2). This finding suggests that, in addition to the strategic evaluation practice in the model, there are other factors not captured in the model that have a significant impact on the financial performance of SME's in Juba, South Sudan. The following model would be used to predict the financial performance of SME'S in Juba, South Sudan when the level of strategic evaluation practice is high;

$$\text{Financial Performance} = 1.414 + 0.597 \text{strategic evaluation practice}$$

Study findings were in line with the findings by Owich (2017) who sought to determine strategic management process effect on performance among listed companies; Kitonga, Bichanga and Muema (2016) who carried out a research with an aim of investigating the relationship between strategic evaluation and organizational performance in not-for-profit organizations and Abdalla (2015) who sought to determine the effects of strategy evaluation on organizational performance at Centre Star Company Limited. These findings established that strategic evaluation practices correlate positively with organizational performance.

## V. CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Strategic evaluation practice had a statistically significant effect on the financial performance of SME's in Juba, South Sudan. A unit improvement in strategic evaluation practice is likely to improve financial performance of SME's in Juba, South Sudan by 68.0 %. With an improvement in review of strategic process, regular formal reviews, ascertaining the extent of strategic implementation, application and achievement and use of feasibility and feedback would definitely improve financial performance of the SME'S in Juba, south Sudan.

### Recommendations

There was a significant statistical effect of strategic evaluation and control practices on financial performance of SMEs in Juba South Sudan, SMEs could continue to enhanced their strategic plans over the next one, four, and six years, with an enhanced focus on evaluation and control to ensure that the input provided is used to improve formulation and implementation practices, resulting in the achievement of their defined goals and objectives. Incorporation of review of strategic process, regular formal reviews, ascertaining the extent of strategic implementation, application and achievement and use of feasibility and feedback in their strategies would be vital to ensure improvement in financial performance of SMEs in Juba South Sudan.

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