Original Article
ISSN (Online): 2582-7472

ShodhKosh: Journal of Visual and Performing Arts
July 2024 5(7), 1489–1495

STRATEGIC MANAGEMENT PRACTICES AND THEIR IMPACT ON ORGANIZATIONAL PERFORMANCE: A COMPARATIVE STUDY OF STARTUPS AND ESTABLISHED FIRMS

Dr. Ajay Talwekar [1]

[1] Asstistant Professor, Central Institute of Business Management Research and Development, Nagpur, India

Corresponding Author
Dr Ajay Talwekar,
ajay.talwekar@cibmrd.edu.in

DOI
10.29121/shodhkosh.v5.i7.2024.5941

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

ABSTRACT

This study focuses on strategic management as adopted by startups and established companies and the influence of the adopted management on the organizations. As business ecosystems and the competitive market shortly develop, strategic decisions are critical in identifying the success and survival of organizations. The paper applies the use of a comparative paradigm to evaluate the difference and similarity in strategic planning, implementation and assessment of startups and mature firms. The information was gathered by means of regularized surveys and interviews in different industries. The results demonstrate that despite the high dependence of an established company on a long-term and systematic strategic preparation, with startups, freedom, creativity and rapidity play an important role. Nevertheless, the two models are different when it comes to influencing performance. The research ends with some findings that would assist the two kinds of companies in improving their approaches.

Keywords: Strategic Management, Organizational Performance, Startups, Established Firms, Strategic Planning, Business Strategy, Comparative Study

1. INTRODUCTION

Nowadays, business environment is, in fast pace and business terms, competitive and demanding that appropriate and timely right decisions are made by the organizations. They do not make these choices blindly- there is proper guiding through strategic management. Strategic management entails the process by which an organization gives meaning to its objectives, outlines strategies that would lead to achievement of these objectives, applying the strategies and also assessing the outcome of the application. It guarantees that an organization does not only have a clear vision concerning the future but also a pathway that would make it achieve its visioning of the future.

The situation is rather different between start-ups and consolidated companies. Startups are businesses that are still in their development stage, and they have yet to establish their businesses, learn about their marketing needs, and occupy a solid position. They in most cases operate on scarce resources, excessive uncertainty and fast decision making. Conversely, a well-recognized firm has an established record, loyal customers, established internal organizational structures, and most times access to resources. Such disparities also automatically result in dissimilarities in the manner in which the two forms of firms execute strategic management.

Innovation, speed, and flexibility are some of the characteristics that startups apply in their strategic processes. Very frequently, they use informal kinds of planning, they also try various strategies until they discover what suits them best. Conversely, established companies tend to make use of formal strategic planning procedures. They rely on long-time predictions, analytical work and official implementation procedures. Although the two models have strengths and weaknesses, one needs to know how various strategies affect the organizational performance.

There are several measures that can be used to determine the performance of the organization and they include profitability, market share, customer satisfaction, employee productivity, and long-term sustainability. With the rightly set and implemented strategy, it is possible to improve these indicators and make an organization surpass its competitors. Thus, conducting research on the association between the strategic management practice and organizational performance is very applicable in the contemporary business environment.

This is a research paper that will compare the start-up firm to the established firm practices in strategic management and develop an impact of how the practices affect the performance of the firms. The paper is also aimed at finding out the best strategies that can work better in various kinds of organizations and to make some recommendations. Knowing the disadvantages and advantages of one approach or the other, startups and established firms can help one another and embrace superior strategic approaches to take on specific needs.

Such comparative assessment is of particular importance in countries such as India where startup ecosystem consists of the rapidly developing industry as the traditional industry takes a lead position in major segments. Explaining how both of the types of firms control their strategies will not only assist entrepreneurs and managers with their informed decisions but can be introduced to further business growth and sustainability studies and research on the official and academic level as well.

2. LITERATURE REVIEW

Bhattacharya (2022) analyzes the role of digital strategy in the growth of startups in India noting that digitally-enabled startups that can match their core strategies with the changes in technologies can position themselves well to become capable of scaling and have a competitive edge in India. The research highlights that digital tools are not only efficient tools of operations but also a gateway to new markets to startups. In the same light, Kumar and Rao (2020) compared strategic management practices and performance in Indian SMEs. According to their findings, the performance of SMEs which use formalized strategic frameworks even in resource-constrained environment indicates better performance than ad hoc ones.

Ghosh (2019) studied the subject of strategic leadership in the Indian IT industry and its connection with the performance of firms. The researchers identified a positive relationship between leadership based strategic vision and favourable financial performance more so in large-sized companies with strong technology orientation. This rides hand in hand with the study of Singh and Pandey (2021), who highlighted strategic agility and innovation within the Indian startups. In their study they found that start-ups with an agile decision in place and an innovation culture rank higher than their competitors as far as responding to the marketplace and adapting to it is concerned.

In their research on strategic decision-making, Sharma and Chawla (2018) found that the companies that made faster data-driven decisions supported by mid-and long-term plans had even better metrics of performances. In the meantime, Joshi and Sinha (2020) made an important contribution to the study as they examined the process of strategy formulation within India business entrepreneurships. They came to the conclusion that a trial-and-error approach where a lot depends on founder experience and customer feedback, assumes a flexible, evolving strategy in most Indian startups.

According to the research conducted by Verma and Bhatnagar (2019), strategic planning in Indian family-owned companies was analyzed and it became evident that although such companies do not have formal planning systems, their business continues, due to the intuition and experience of the senior members of the family. Patil and Kulkarni (2017) investigated the comparison between SMEs and large firms in Maharashtra and revealed that large firms tend to utilize more structured and analytical strategic tools compared to SMEs which rely more on informal but practical process of decision-making concerning the market requirements.

Tiwari and Sharma (2021) examined the connection between performance and strategic orientation amid Indian retail firms. They established that companies that had high market orientation and had an innovation-based strategy performed better in gaining and retaining their customers. Lastly, Desai (2020) analyzed the issue of strategic management of Indian startups. His research has observed that even vision and innovations are not cause enough as startups tend to do lots of things wrong because of their weak implementation, poor alignment with strategic aim, and preplanning.

2.1. OBJECTIVES OF THE STUDY

1) To identify and compare the strategic management practices followed by startups and established firms.
2) To evaluate the impact of these practices on organizational performance.
3) To understand how flexibility and formalization in strategies affect business outcomes.
4) To offer recommendations for improving strategic outcomes based on firm maturity.

2.5. HYPOTHESIS

- H1: There is a significant difference in strategic management practices between startups and established firms.
- H2: Strategic management practices have a positive impact on organizational performance in both startups and established firms.

3. RESEARCH METHODOLOGY

The research design that this study took is the comparative and descriptive research design in order to study and examine the strategic management activities in start-up and established companies and how it influences organizational performance. This was done using mixed-method approach whereby both quantitative and qualitative data were taken to have a better insight into the matter.

The demographics of the study targeted senior managers, business owners, and strategy heads of startups (firm age less than 5 years) and large and established firms (firm age greater than 10 years) in the spheres of business like Information Technology, Manufacturing, Retail, and Financial Services. Following a purposive sampling technique, participants were specifically engaged in the implementation of distinctive strategies in their organizations.

Two stages were completed in the collection of data. To develop this questionnaire, a structured process was carried out involving passing a questionnaire to 100 firms 50 of these were start-up firms and the other 50 were established firms. The questionnaire was modeled in a way that it would gather information about various elements of strategic management including the frequency of planning, innovation, responsiveness, employee involvement, and general performance result. The respondents were to score on 5-point Likert rated statements (1 = strongly disagree, 5 strongly agree). The questionnaire was pilot-tested among 10 firms and appropriate reliability was carried out and there was good internal consistency of the questionnaire items as indicated by Cronbach Alpha (0.86).

Here, a sample of 10 established professionals (5 in startups and 5 startups in established firms) was interviewed semi-structurally in the second stage. These interviews assisted in collection of qualitative data related to the strategic issues facing the firms, culture of decision-making in these firms and success stories of the two types of firms. These interviews were taken with the consent of the participants, which was transcribed and then analyzed thematically.

The gathered quantitative data was discussed applying such statistical instruments like mean, standard deviation, independent sample t-tests (to analyze the difference between startups and established firms) and regression analysis (to examine the connection between strategic practices and performance). Microsoft SPSS software was used in statistical analysis and the results were interpreted at a p level of 0.05 or in other words with $p < 0.05$.

Thematic analysis was applied to the qualitative data in search of recurrent themes and patterns that revolved around the issues of strategic thinking, agility, innovation, and performance outcomes. These qualitative data helped to corroborate and interpret the quantitative data and allowed understanding the differences in strategic outlook the most.

The study put ethical considerations into consideration. The objectives of the research were told to all the participants and it was entirely voluntary. Data collection and analysis were done in a confidential and anonymity form of the firms and respondents.

In short, the work methodology was well-crafted to present the balanced and evidence-based comparison of startups and established companies, whose results can be described as reliable and valid as they help to understand how strategic management affects the performance of organizations in various business contexts.

Table 1 Descriptive Statistics:

1. Variable	2. Startups (Mean)	3. Established Firms (Mean)	4. Std. Deviation (Startups)	5. Std. Deviation (Established Firms)
6. Strategic Planning Frequency	7. 3.8	8. 4.6	9. 0.7	10. 0.5
11. Innovation in Strategy	12. 4.5	13. 3.2	14. 0.6	15. 0.8
16. Employee Involvement	17. 4.2	18. 3.7	19. 0.9	20. 0.6
21. Market Responsiveness	22. 4.7	23. 3.5	24. 0.5	25. 0.7
26. Organizational Performance Index	27. 4.3	28. 4.5	29. 0.6	30. 0.4

4. ANALYSIS OF DESCRIPTIVE STATISTICS

The descriptive statistics provided a summary and report of the comparison between the main strategic management practices, and the performance indicators between startups and established firms. This study was based on the variables that were as follows: the Strategic Planning Frequency, the Innovation in Strategy, the Employee Involvement, the Market Responsiveness and the Organizational Performance Index. Each of the variables received mean scores and standard deviations in each category of firms.

According to the findings, startups ranked higher in the area of Innovation of Strategy (Mean = 4.5) than already established firms (Mean = 3.2). This observation indicates the entrepreneurial characteristics of startups where innovation, experimenting, and creative thinking become the ways to survive and distinguish in competitive markets. Startups as new actors are inclined to count on innovative ideas and disruptive business models, so it is not a secret why they are showing strong results in this direction.

On the other hand, the average median in Strategic Planning Frequency was higher in established firms (Mean = 4.6) than startups (Mean = 3.8). This is not out of place, because comprehensive steps of planning usually occur in those established companies. They usually possess special strategic departments and clear-cut logic in predicting, budgeting, and measuring performances. They are more experienced and organized which enables consistency and control deemed necessary to large-scale operations.

Other key indicator is Market Responsiveness which was found to be higher with startups (Mean = 4.7) than with established firms (Mean = 3.5). The startups tend to be very nimble and can react fast to the needs of the market, the customers, and technological innovations. This adaptability enables them to respond quicker and be able to make changes within their strategies much quicker than they would in large organizations due to the bureaucracies involved.

With the Employee Involvement, the findings revealed that the startups exhibited a slightly higher mean score (4.2) as compared to established firms (3.7). Employees in startups also find themselves working in more than one product and find themselves closer to the decision-making process since there are flat organizational structures. Such collaborative culture could result in increased levels of job satisfaction and innovation. On the other hand, older organizations could be more hierarchies, which on certain occasions can limit the involvement of employees in the strategic processes.

Finally, the Organizational Performance Index where the results were the computation of various variables related to the performance (profitability, growth, customer satisfaction, and employee productivity) had a relatively high result of 4.3 in startups and 4.5 in established firms. This implies that the two types of organisations are doing great, the only difference is that they are attaining performance based on strategic means. Established organizations are favored by systematic structures and long-term plans by the established organizations whereas flexibility, speed, unconventional thinking are the advantages of start up organizations.

Most of the standard deviations were moderate; this shows that there was reasonableness in the consistency of responses. But there was a little more variation in case of startups, especially with regards to innovation and employee involvement where variation implies different practices depending on the environment of startups.

Comprehensively, the descriptive case validates that there exist profound strategic capabilities in startups and established firms, and they both play positive roles in performance differently. Startups are experts on agility and innovative, but the established firms gain strength because of structure and experience. Such a balance of strategic capabilities provides useful insights to business leaders of both the kinds of organizations.

Table 2 Hypothesis Testing:

Hypothesis	Test Used	Test Statistic	p-value	Result
H1	Independent t-test	t = 3.45	0.001	Accepted (Significant)
H2	Regression Analysis	$\beta = 0.62$, $R^2 = 0.48$	0.000	Accepted (Significant)

5. ANALYSIS OF HYPOTHESIS TESTING

To test the assumptions of the study, two principal hypotheses were used and tested accordingly. The initial hypothesis (H1) was that a notable difference has existed in the format of strategic management of startups and established firms. To check the test, independent samples t-test was used on the information that was obtained on variables that are key to strategy like percentage rate of strategic planning, strategy innovation, degree of employee involvement, and responsiveness in the market. The analysis was t-test that found the difference between two groups and has a t-value of 3.45 and p-value of 0.001, which is below the significance level of 0.05. This proves that new firms and established companies adhere to different strategic practices. It was also identified that startups showed to be more innovative and reactive to any change in the market whereas established firms were more structured and frequent in strategic planning. Such a variation can be explained by the characteristics of the firms of such origination; startups have to be adaptable to operate in an uncertain environment and experience is not a factor, on the other hand, established firms are planned, have systems and rigidity. Therefore, the initial hypothesis is supported as the disparity in the strategic management between both forms of companies is proved statistically.

The second hypothesis (H2) was that, in startups and established firms, strategic management practices stimulated the organizational performance. To find out this hypothesis, multiple linear regression analysis was carried out by which the dependent variable was information of the organizational performance index and the independent variables were strategic planning frequency, innovation, employee involvement and market responsiveness. Regression analysis indicated that the aspect of strategic management practices and performance had significant positive relationship. This means that the performance outcomes are greatly affected by these strategic factors and the coefficient was 0.62. The R-squared (R2) of the analysis was 0.48 and thus 48 per cent of the variance in the organizational performance could be described by the variables of strategic management. The p-value was equal to 0.000, which proves the statistical significance of the findings. This implies that, proper strategic management, when performed well, can actually improve an organization performance, whether it is a youngest company or a well-established firm.

To conclude, the two hypotheses were embraced due to the high statistical evidences. The findings elucidate evidently that even though strategic management is different among start up and existing companies, good strategic practices apply effectively in enhancing business performance in both situations. Such developments emphasize the need of every organization engaging in planning, innovation, involvement of employees and flexibility in its strategic functions.

6. CONCLUSIONS OVERALL RESULTS

In this paper, there have been clear insights on how the strategic management practices applied in startups and mature firms are different, and how these practices have affected the performance of an organization. The findings prove that both these kinds of organization practice strategic management but their strategy and its orientation differs greatly. Startups are more adaptable, creative and the fastest to adapt to changes in the market. This allows them to survive in a culturally uncertain environment and to provide innovative solutions to the problems of the customers. Conversely, mature organizations are more into formal planning protocols, built mechanism and long-term perspective that has made them stable and rather even-handed in their functionality.

Statistical test indicated that there are significant differences in the strategic practices among new ventures and established companies. In addition, the regression demonstrated that in both instances, effective strategic management positively correlated with performance. It implies that different approach can be used but both kinds of firms will succeed as long as their strategies are correlated with their goals, resources and market conditions.

In general, the paper draws the conclusion that there do not exist such a thing as a single strategy. Rather, companies should learn how to implement a strategic planning compatible to the relative size and the level of development, as well as environment, of the industry. Some systematic planning strategies might be worth incorporating by the start-up companies as a good way to nurture future growth and the mature companies might want to implement more dynamic and creative approaches as a means of staying competitive in a fast-moving business environment.

7. FUTURE SCOPE OF THE STUDY

Despite the sound findings in this study, there are prospects of additional research. First, the paper has been targeted on general comparison of different industries. In the future, more industry-oriented research can be conducted by studying a case of the IT sector, manufacturing, healthcare, or services based on whether they govern strategic management practices in separate industries differently, or have different needs.

Second, the research utilized cross sectional data that was collected at one point. The future research may focus on using a longitudinal approach to the study of the process of change of strategic practices as startups grow into monoliths and the dynamics of their performance.

Third, other performance measures like Return on Investment (ROI), customer retention rate or innovation output may be added in the future research in order to get a better measure of the strategy affect. In addition, the rebounds of leadership style, organizational culture and technological adaptation on the effectiveness of strategic management are some of the searchable connections that can be investigated in the future works.

Besides, this research was restricted to companies in India. Comparative international research can be carried out to learn about the impact of cultural and economic aspects on the performances of the strategic management practices all over the world. It will assist in developing a wider premise of best practices that can be utilized in various regions.

Finally, case studies of successful startups and established legacy firms can be made to harness greater insight about the real life strategic decision-making process, problems and triumphal stories.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

Bhattacharya, S. (2022). Exploring the impact of digital strategy on startup growth in India. Journal of Entrepreneurship and Innovation in Emerging Economies, 8(1), 27–39.

Kumar, S., & Rao, P. (2020). Strategic Management Practices and Business Performance in Indian SMEs: A Comparative Study. South Asian Journal of Business and Management Cases, 9(1), 52–60.

Ghosh, R. (2019). Strategic leadership and its impact on firm performance: Evidence from Indian IT sector. Indian Journal of Management Studies, 14(3), 112–123.

Singh, A., & Pandey, R. (2021). Strategic agility and innovation in Indian startups: A growth-oriented analysis. International Journal of Business Strategy and Growth, 7(2), 89–103.

Sharma, M., & Chawla, D. (2018). Impact of strategic decision-making on the performance of Indian firms: A study of FMCG sector. Asian Journal of Management, 9(4), 1101–1108.

Joshi, P., & Sinha, R. (2020). Strategy formation in startups: Evidence from Indian entrepreneurial ventures. IIMS Journal of Management Science, 11(1), 23–35.

Verma, A., & Bhatnagar, S. (2019). Strategic planning practices in Indian family-owned businesses. Indian Journal of Commerce and Management Studies, 10(1), 45–54.

Patil, V., & Kulkarni, P. (2017). Comparative study on strategic practices in SMEs and large firms in Maharashtra. Journal of Business and Economic Policy, 4(3), 56–66.

Tiwari, A., & Sharma, S. (2021). A study on the relationship between strategic orientation and organizational performance in Indian retail firms. Journal of Indian Business Research, 13(4), 369–382.

Desai, R. (2020). Strategic management practices in Indian startups: Challenges and opportunities. Journal of Entrepreneurship and Business Innovation, 7(2), 88–99.