

Volume 5, Issue 9 – Sep 2017

ISSN: 2054-7404



ARCHIVES OF BUSINESS RESEARCH



SOCIETY FOR SCIENCE AND EDUCATION - UNITED KINGDOM

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Strategic Management: A Policy To Enhance Sustainable Business Development In Small And Medium Scale Enterprises In Nigeria

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ABSTRACT

The paper examined the impact of Strategic Management on the performance of Small and Medium Scale Enterprises (SMEs) via competitive advantage, sales and profit. This was with the view of assessing the impact of Strategic Management on sustainable growth in Nigerian SMEs. A descriptive survey research design was employed for the paper using structured questionnaire and oral interview for data collection. The questionnaire was administered on thirty SMEs owners in four states of Southwest Nigeria comprising Lagos, Ogun, Osun and Oyo State. Thus, a total of 120 respondents were purposively sampled for the study. Data collected were analyzed using frequency tables, simple percentages and chi-square test. The results showed that Strategic Management practices significantly assist SMEs to gain competitive advantage ($X^2 = 23.04$; $p < 0.05$). The results further showed that Strategic Management significantly increased their sales ($X^2 = 19.7$; $p < 0.05$) and improved their profits levels ($X^2 = 42.8$; $p < 0.05$). The paper concluded that, Strategic Management has contributed immensely to the sustainable growth of Small and Medium scale Enterprises in South-West Nigeria and recommended that Strategic Management practice should be adopted by all small and medium business firms in Nigeria.

Keywords: Strategic Management, Competitive Advantage, Small and Medium Scale Enterprises (SMEs), Growth and Development

INTRODUCTION

The key issue that unites all discussions of strategy is a clear sense of an organization's objectives and a sense of how it will achieve these objectives. It is also important that the organization has a clear sense of its distinctiveness. [1] stated that strategy is about achieving competitive advantage through being different – delivering a unique value added to the customer, having a clear view of how to position yourself uniquely in your industry. Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annual or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment [2].

[3] argues that strategy is no longer about planning or 'visioning' because we are deluded if we think we can predict or control the future – it is about using careful analysis to understand and influence a company's position in the market place. Also, [4] argues that the best strategy is geared towards radical change and creating a new vision of the future in which you are a leader rather than a follower of trends set by others. According to Hamel, winning strategy is a function of foresight and vision. Therefore, an effective strategic management requires that managers in small scale enterprises should address important issues continuously and simultaneously. This could only be achieved by constantly seeking answers to a number of problems that may likely affect the business operation and ensuring that every unit in the organization plays a significant role in making the organization strategic.

However, small scale industries have been recognized globally by government and development experts as a potential engine of economic growth and a major factor in promoting private development and partnership. Of the 30.23 million businesses in the United States, approximately 30.14 million, or 99.7 percent, are considered "small". Although there is no universal definition of a small business, a common delineation of a small business is one that employs fewer than 100 people. Thus, the role of small scale industry in economic growth brought about the need to understand the role of strategic management in small scale industries in Nigeria. In today's fast growing global economy in which the quest for innovation has taken the centre stage of all human drive for progress and well being, the implementation of strategic management must constitute prime elements in the growth strategy of small and medium scale enterprises in Nigeria. Each small and medium scale enterprises needs to develop a competitive advantage to enable it compete effectively.

Most owners and managers of small and medium scale enterprises (SMEs) in Nigeria are inadequately aware of the contribution of strategic management practice to the success of their organization and the way in which it can be undertaken. Many organizations make use of short term method and outdated evaluation techniques. Managers become easily wedded to a financially oriented formula for measuring the performance of their organization yearly while the time required for a strategy or group of strategies to become fully functional is often much greater than the measurement used. These factors put a severe problem on the role of strategic management in small scale industries. If there is a significant awareness of the role of strategic management, an organization can develop future oriented thinking, which is more valuable than merely focusing on short term success[5]. Governments in the past have ignored serious policy support needed to galvanize this sub-sector of the economy. On the other hand, resistance to change by players or operators has hampered full utilization of the little support so far given by governments. While there were many researchers into the determinants of growth in Small and Medium Scale enterprises, there has been little attention in the area of the application of strategic management in the growth and development of small and medium scale enterprises in Nigeria, hence this study.

The objective of this study is to assess the impact of strategic management practices to sustainable growth of Small and Medium Scale Enterprises (SMEs) in South-Western Nigeria. Specially, the study assesses the extent of the use of strategic management plans in SMEs; examine the factors affecting implementation of strategic policies in SMEs operations; and evaluate the importance of strategic management practices to SMEs development in Nigeria. These were done to determine if the practice of strategic management can be a major solution to the problems that may likely affect the operations and growth of SMEs in South-West Nigeria. Three hypotheses were tested in this study. They are:

- i. Strategic planning does not significantly assist in gaining competitive advantage
- ii. Strategic Management planning does not significantly increase sales volume

- iii. Strategic Management practice does not significantly increase profits of Small and Medium Scale enterprises.

LITERATURE REVIEW

Small and Medium Scale Enterprises: A Strategic Importance

The planners of developing nation attach significant importance to the economic ills of their nation. Thus, the role of small industries in the development process has been the subject of a large number of studies over the past four decades. [6] Small and medium scale would be referred to as cottage industry or small business enterprises. Industry is used here to include mining, lumbering, agricultural, manufacturing, and commercial and other service industries. The small and medium scale enterprises could be best defined based on some of its characteristics [7]. Typically they are characterized by the following features in varying degrees:

They are typically small, often rural-based and family owned. They have simple management structure which generally combines ownership and management in one person; they revolve around the owner/manager rather than separating ownership from control/management. They are flexible in decision making and there exists informal employer-employees relationship. They are widely dispersed in any economy, rely on low cost raw materials low energy cost and low division of labour. They are large labour intensive with low-level of technology. They are catalyst and engine of growth in most economies [7].

Strategic management is a process that has various activities and this must be performed in systematic manner. It is dynamic rather than static in which events and relationships are seen as dynamic, continuous, flexible and as such must be considered as a whole; a dynamic by many variables [8]. [9] defined strategic management as the set of decision and actions in formulation and implementation of strategies designed to achieve the objectives of an organizations. [10] with a similar pattern review that strategic management is primarily concerned with relating the organization to the environment, formulating strategies to adapt to that environment and assuring that implementation of strategies take place. [11] has taken a limited view of strategic management as that set of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives. However, an appraisal of various definitions of strategic management suggest that it deals with the following aspects: continuously relating the organization to its environment; formulating suitable strategies to maintain this relationship; implementing strategies and ensuring through evaluation and control that strategies are implemented properly and produce intended results [8]. The inference drawn here is that strategic management deals with the future implication of present decision. According to [12], strategic management process consists of four major steps: analysis, formulation, implementation and adjustment evaluation.

Strategic management comprises five key facets: goal-setting, analysis, strategy formation, strategy implementation, and strategy monitoring. These are the integral elements that, when applied together, distinguish strategic management from less comprehensive approaches, such as operational management or long-term planning. Strategic management is an iterative, continuous process that involves important interactions and feedback among the five key facets.

Approaches to Strategic Management

There are different approaches to strategic management in decision making because an organization may differ in terms of: (i) degree of formulation in decision making process from highly formalized and structured to informal and unstructured process. (ii) managerial power

relationship from the dominant role of the strategist to compromise of different interest groups and (iii) nature of environment from highly complex to simple and stable. These differences determine the kind of approach individual organization would adopt in their decision making process, including strategic decision making. However, various approaches that are available for adoption in strategic decision making have been described by [13]. He classified these approaches in three forms, namely: entrepreneurial, planning and adoptive while [10] has a five-fold classification, they are formal structured, intuitive anticipatory, entrepreneurial-opportunistic, incremental and adaptive approaches have common factor than differences and therefore can be grouped together. Entrepreneurial approach is basically based on intuition and anticipation as these elements require a high level of vision in strategists to anticipate opportunities and threats posed by the relevant environment.

Strategic Management Practice in Small and Medium Scale Enterprises

Strategic management researchers have largely ignored the small and medium scale enterprises sector preferring to concentrate in large organization with recognizable "personnel" structures [14]. However, the strategic management is an important aspect of any country's economy already employing large numbers of people and embodying future growth potential.

Given the importance of small business enterprise to the economy, it is disheartening to note that scant attention in the small business enterprise research literature is given to the study; strategic management practices in Nigeria. Research team over the years found access difficult because small business owners are busy and perhaps regard academics with some suspicion. So, defining the role of strategic management in some organizations is problematic because of limited reseawrch findings available. [15] reasonably asked how useful or valid strategic management theory can be if it is based almost entirely on research conducted on large organizations. It is relevant to the needs of practitioners or general managers in small or medium sized enterprises; and the bulk of business fall into the small business category.

METHODOLOGY

The study covered small and medium scale business established with a number of staff between ten and three hundred and with a minimum capital of 200,000 naira and maximum capital base of 20 million naira in four states: Lagos, Ogun, Oyo and Osun States. A descriptive survey research design was adopted for the study. It involved the researcher collecting information directly from participants by posing questions relevant to the study to them. The questions were presented orally, through an interview and designed questionnaire. The sample population for the study was 120, which comprised small and medium scale business owners and managers across four states; Lagos, Ogun, Oyo and Osun states in Southwestern Nigeria.

From the population, thirty (30) respondents (SMEs owners) were selected from each state making a total of one hundred and twenty (120) respondents using purposive sampling technique. A questionnaire titled "Strategic Management and Sustainable Development in SMEs Questionnaire (S.M.S.D.Q)" was used to collect data for the study. The questionnaire was divided into three sections: The first section was on personal information about the respondent's sex, age, marital status, educational level and working experience. The second section contained questions that determined, examined and accessed strategic management practice in Small and Medium Scale Enterprises (SMEs). The third section contained open ended questions that recommended or proffered solutions and provided information that are relevant to the study. Out of the 120 respondents selected for the study, only eight four (84) respondents completed their questionnaires very well and used for the analysis. Data collected

were analyzed using relevant descriptive and inferential statistical techniques.

RESULTS AND DISCUSSION

Socio-Demographic Characteristics of Respondents

Table 1 revealed that male respondents were more than female respondents; 56 (66.7%) and 28 (33.3%) respectively. This was an indication that majority of the SMEs are owned by men. Also, 2 respondents, representing 2.4% of the respondents fall in 13-20 years bracket, 4 representing 4.8% of the respondents fall in 21-30 years bracket, with the highest frequency 51 (60.7%) of the respondents in 31-40 years bracket, 12 respondents representing 14.3% of the total respondents fall into the 41-50 years bracket, while 51 and above age bracket has 15 respondents (17.9%). Furthermore, on academic background, 6 respondents have only primary education representing 7.1% of the total population, 13 (15.5%) respondents and secondary education and 65 respondents, representing 77.4% of the respondents have tertiary education. In terms of working experience, table 4.1 shows that 15 representing (17.65) respondents' falls between 1-5years, 22 respondents fall between 6-10 years category, representing 26.2% of the total population, 30 respondents falls between 11-15 years category representing 35.7% of the total population and 17 respondents falls between 16years and above, representing (20.2% of the total population. In terms of years of establishment, table 4.1 shows that 15 representing (17.65) respondents' falls between 1-5years, 24 respondents fall between 6-10 years category, representing 28.6% of the total population, 33 respondents falls between 11-15 years category representing 39.3% of the total population and 12 respondents falls between 16years and above, representing 14.3% of the total population. Furthermore, the table shows that majority of the business owners (45.2%) were into productive activities (such as pure water business, metal fabricators, bakery and arts and designs). This is followed by those who venture into service business like distribution of goods, tailoring, restaurant and laundry businesses (29.8%) and then by those involved in extractive business like farming and those selling chemicals (25.0%).

Table 4.1: Socio-Demographic Distribution of Respondents

Variable		Frequency		Percent (%)	
Gender	Male	56		66.7	
	Female	28		33.3	
	Total	84		100.00	
Age:	13-20yrs	2		2.4	
	21-30yrs	4		4.8	
	31-40yrs	51		64.3	
	41-50yrs	12		14.3	
	51 & above	15		17.3	
	Total	84		100.0	
Educational Level:	None	-		-	
	Primary	6		7.1	
	Secondary	13		15.5	
	Tertiary	65		77.4	
	Total	84		100.0	
Working Experience:	1-5 yrs	15		17.6	
	6-10 yrs	22		28.6	
	11-15 yrs	30		39.3	
	16 & above	17		14.3	
	Total	84		100.0	
Year of Establishment:	1-5 yrs	15		17.6	
	6-10 yrs	24		28.6	
	11-15 yrs	33		39.3	
	Above 15 yrs	12		14.3	
	Total	84		100.0	
Nature of Business:	Service Business	25		29.8	
	Extractive Business	21		25.0	
	Productive Business	38		45.2	
	Total	84		100.0	
Annual Turnover in a fiscal year		Before	(%)	Now	(%)
N50,000 – N99,000		6	7.1	1	1.2
N100,000-N149,000		10	11.9	6	7.1
N150,000-N199,000		10	11.9	8	9.5
N200,000-N249,000		19	22.6	13	15.5
N250,000-N299,000		15	17.9	13	15.5
N300,000-N349,000		8	9.5	14	16.6
N350,000-N399,000		6	7.1	14	16.6
N400,000-N449,000		6	7.1	8	9.5
N450,000-N500,000		4	4.8	7	8.3
Total		84	100.0	84	100.0

Source: Filed survey, 2017

Extent of the use of Strategic Management Plans in SMEs

From table 2, majority of the respondents (61.9%) indicated that they often applied strategic plans to their business. 14.2% seldom applied it, 4.8% rarely applied it, while 19.1% did not apply it at all. Also, from table 4.3, majority of the respondents (56.0%) often reviewed their strategic plans to meet the current situation in the market. This is followed by those who applied it seldomly (17.9.0%), 7.1% of the respondents rarely reviewed their strategic plans, while 19.1% did not review or adjust their strategic plans. However, more than 41.0% of the respondents indicated that they really encountered problems in formulating and implementing

strategic plans in their business, while more than 28.0% indicated that they do not encountered any problem in formulating and implementing their strategic plans. It was only few; 9.5% and 14.3% that often and seldom encountered problems in formulating and implementing strategic plans to their businesses. This indicated that majority of the small and medium business owners in the four selected states adopted and implemented strategic policies in their day-to-day business activities. The implication is that small and medium business owners believed in the use of strategic plans to sustain and develop their businesses.

Table 4.2: Extent of the Use of Strategic Management Plans in SMEs

Items	Often (%)	Seldom (%)	Rarely (%)	Not at all (%)
How often do you apply strategic plans to your business?	52 (61.9)	12 (14.3)	4 (4.8)	16 (19.1)
How often do you review or adjust your strategic plans?	47 (56.0)	15 (17.9)	6 (7.1)	16 (19.1)
How often do you encounter problems in formulating strategic plans?	12 (14.3)	16 (19.1)	35 (41.7)	21 (25.0)
How often do you encounter problems in implementing strategic plans?	8 (9.5)	12 (14.3)	40 (47.6)	24 (28.6)

Source: Filed survey, 2017

Factors Affecting Implementation of Strategic Policies in SMEs Operations

Table 3 shows that majority of the SMEs owners (70.2%) indicated that it was lack of innovation; that is, inability to adjust to the changing business environment that is affecting formulation and implementation of strategic management practices to the operations of small and medium scale enterprises in South Western Nigeria. This is followed by problem of finance (27.4%). That is, some SMEs find it difficult to finance the strategic plans laid down to achieve certain business success. Furthermore, few of the respondents (2.4%) have no reason for the problem encountered in formulating and implementing strategic plans for their business. Moreover, majority of the business owners (41.7%) indicated that access to customers is the bane of business success where they are operating. Poor infrastructures such as good roads and telecommunication systems were also considered as factors affecting their business success (33.3%), while rivalry/ competition from firms in the same business unit (25.0%) is affecting the progress of their business. However, those that adopted strategic business plans are enjoying sustainable development in their business in terms of competitive advantage, increased sales and sizeable profits. Although a sizeable number operates in an environment with different types of business (41.7%) yet, majority are operating in an environment with similar business (48.8%). This implies that the importance of strategic management practices to sustainable SMEs development cannot be over emphasized.

Table 3: Factors Affecting the Implementation of Strategic Policies in SMEs Operations

S/n	Items	Frequency	Percent
1.	Factor responsible for problems encountered in formulating and implementing strategic plans <ul style="list-style-type: none"> • Finance • Lack of Innovation • No Reason <p style="text-align: right;">Total</p>	<p>23</p> <p>59</p> <p>2</p> <p>84</p>	<p>27.4</p> <p>70.2</p> <p>2.4</p> <p>100.0</p>
2.	Factors Affecting business success in your environment <ul style="list-style-type: none"> • Competitors • Access to Customers • Poor infrastructure <p style="text-align: right;">Total</p>	<p>21</p> <p>35</p> <p>28</p> <p>84</p>	<p>25.0</p> <p>41.7</p> <p>33.3</p> <p>100.00</p>
3	Type of business environment you operate in <ul style="list-style-type: none"> • Isolated Environment • Environment with similar business • Environment with different types of business <p style="text-align: right;">Total</p>	<p>8</p> <p>41</p> <p>35</p> <p>84</p>	<p>9.5</p> <p>48.8</p> <p>41.7</p> <p>100.0</p>

Source: Filed survey, 2017

Importance of Strategic Management Practices to SMEs Development in South-West, Nigeria.

From table 4, majority of the respondents (76.2%) agreed that strategic management practices were relevant in small and medium scale business operations, while few respondents (23.8%) disagreed. Also, majority of the SMEs owners (77.4%) agreed that strategic management practices should be employed by all to achieve business success. This was corroborated with agreement from majority of the respondents (67.9%) and (76.2%) to the fact that strategic management influences business positively and assisting in gaining competitive advantage over others in the same business line respectively. Also, (67.9%) of the respondent indicated that strategic management practices increase sales growth as well as contributing significantly to increase in the profit level of those who applied it. This is further buttressed by the data on Table 4.1 where the annual turnover of those who applied strategic plans moved from between N150, 000 – N199, 000 per annum to between N350, 000 – N399, 000 per year. This result indicated that application of strategic management policies has improved the level of competitive advantage, sales and profits of the majority of small and medium scale enterprises owners in the selected four States in South-Western Nigeria.

Table 4: Importance of Strategic Management Practices to SMEs Development

Items	Agreed (%)	Undecided (%)	Disagree (%)
Strategic management practices is relevant in small and medium scale business operations	64(76.2)	-	20(23.8)
Strategic management practices aid in both short time and longtime planning to achieve business success	65(77.4)	1(1.2)	18(21.4)
Strategic management influences your business positively	57(67.9)	-	27(32.1)
Strategic Planning assists in gaining competitive advantage over others in the same business	64(76.2)	2(2.4)	18(21.4)
Strategic planning affects sales growth and contribute significantly to increase in profits of your business	57(67.9)	3(3.5)	24(28.6)

Source: Filed survey, 2017

HYPOTHESES TESTING

Hypothesis One

H₀: Strategic planning does not significantly assist in gaining competitive advantage

To test this hypothesis, the respondents' responses to the section that seek to test this aspect were obtained and subjected to chi-square test.

The hypothesis tested shows that the value of chi-square (χ^2) calculated is greater than chi-square (χ^2) tabulated. Hence the null hypothesis is rejected in favour of the alternative hypothesis. This means that strategic management assists in gaining competitive advantage. A summary of the result is presented in table 5.

$$\chi^2 = \frac{\sum(345)^6}{5} = 23.04.$$

Level of significance = 0.05

χ^2 tabulated = 3.84

Table 5: Influence of Strategic Management Plans on Gaining Competitive Advantage

Strategic Management	O	E	O-E	(O-E) ²	(O-E) ² /E
Assist	64	42	22	484	11.52
Does not assist	20	42	22	484	11.52
Total	82			χ^2	23.04*

Source: Filed survey, 2017

Expected Frequency, E = 84/2 = 42

*means significant at 5%

Hypothesis Two

H₀: Strategic Management planning does not significantly increase sales volume

To test this hypothesis, the respondents' responses to the section that seek to test this aspect were obtained and subjected to chi-square test. A summary of the result is presented in table 6.

Table 6: Influence of Strategic Management Plans on Sales Volume

Strategic Management	O	E	O-E	(O-E)²	(O-E)²/E
Increased Sales	56	42	14	196	4.67
Does no Increased Sales	28	42	14	196	4.67
Total	82			X²	9.34*

Source: Filed survey, 2017

Expected Frequency, $E = 84/2 = 42$

**means significant at 5%*

$$X^2 = \frac{\sum(345)^6}{5} = 23.04.$$

Level of significance = 0.05

X^2 tabulated = 3.84

The result of the hypothesis above shows that χ^2 calculated. Hence, null hypothesis was rejected, which indicates that strategic management planning has significant increase on the sales volume of SMEs owners.

Hypothesis Three

H₀: Strategic Management practice does not significantly increase profits of Small and Medium Scale enterprises.

To test this hypothesis, the respondents' responses to the section that seek to test this aspect were obtained and subjected to chi-square test. A summary of the result is presented in table 7.

Table 7: Influence of Strategic Management Practices on Profits of SMEs

Strategic Management	O	E	O-E	(O-E)²	(O-E)²/E
Improved profits	72	42	30	900	21.4
Does no improved Profits	12	42	30	900	21.4
Total	84			X²	42.8*

Source: Filed survey, 2017

Expected Frequency, $E = 84/2 = 42$

**means significant at 5%*

$$X^2 = \frac{\sum(345)^6}{5} = 42.8..$$

Level of significance = 0.05

X^2 tabulated = 3.84

Based on the above result, χ^2 calculated is greater than χ^2 tabulated. Hence, H_0 is rejected while alternative hypothesis is accepted. This indicates that Strategic Management practices significantly increase profits of Small and Medium Scale enterprises.

CONCLUSION AND RECOMMENDATIONS

This research work shows that strategic management can go a long way to influence the small and medium scale enterprises in Southwestern Nigeria. However, it was discovered from the findings that strategic management as adopted by SMEs consisted of managerial decisions that are related to the organization and its environment. Hence, it was discovered that there was a significant link between strategic management and organizational effectiveness because most businesses' strategic management adopts the holistic systems approach to the issues of

management. It was a management process designed to achieve the firm's vision and mission. Generally, it was discovered that many small businesses never become large and many were unsuccessful, but with the adoption of strategic management practices, small businesses can grow and even become large. Conclusively, this study has been able to acquaint individuals that may wish to start a new business to exercise or imbibe strategic management as a process to achieve the firm's vision and mission with analysis of firms' internal and external opportunities and threats.

The underlying concept of effective strategic management practices for small and medium firms was borne out of constant failure of small and medium scale businesses in Nigeria, which is why the researcher makes the following recommendations.

- There should be a general overview of the organization's goals and objectives. This to a large extent will support the strategic plan that will guide the enterprise in its sufficiency.
- Small business owners should inculcate the habit of adopting a particular strategic policy to help manage the process of achieving the desired target and growth of their businesses.
- The strategic policy adopted should be flexible to give room for variations that may occur due to economic and social changes that may likely occur, thus small and medium scale business owners in Nigeria should take note of the adverse effect of threats that may be posted by the business environment before embarking on a particular strategic policy.

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