

# **An Evaluation of the Role of Competitive Strategies in the Development of Small and Medium Scale Enterprises in Nigeria (A Case Study of Kaduna State)**

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## **Abstract**

For any business to be successful, the organization must have a good strategic framework, and be aware of the need for all the top management or the policy formulators to be able to think strategically and have a good framework to implement such strategies effectively and efficiently. Strategic management is an important element of organizational services. Strategic success requires a clear identification and understanding of the need of the market and satisfying the customers more effectively and profitably. Real competitive advantage implies that companies are able to satisfy customer's needs more effectively than their competitors which are only achieved if only real value is given to customer. The study is aimed at proving whether Small and Medium Enterprises that understands their customers can create competitive advantage and benefit from lower prices and loyalty of customers, since higher capacity utilization can help to reduce cost. The objectives of the study is to appraise the value of competitive strategic management concepts and techniques, as applied to SMEs and to determine the best ways the SMEs can apply the competitive strategic management ideas in a time-saving manner. In Kaduna state, studies and researches has shown that 60% of SMEs failed in the first three years of establishment and in Nigeria at large, the picture is much the same with eighty percent 80% of most startups fail within their first five years. To carry out this research effectively, 45 questionnaires were distributed to randomly selected SMEs in Kaduna State Spread across the southern and Northern part of Kaduna metropolis. The study revealed that the advantages of competitive strategy surpassed the disadvantages and also revealed that any bad or good strategy by top management affects the organization directly. The researcher was also quick to advice that management of SMEs should always survey the market and the market forces likely to confront them before jumping into a competitive market.

**Key words:** evaluation, role, competitive, development and strategy

## **1.1 Background of the Study.**

For both developed and developing countries, Small and Medium Enterprises plays a very important role in the nation's economy. Jeff (2000) posits that small and medium enterprises constitute a high proportion of a nation's business activities and generate more employment opportunities than the large corporations in recent years. Today, organizations have to deal with environmental dynamism. In order to be successful, organizations must be strategically aware and understand how changes in their competitive environment are unfolding. Small and Medium Enterprises must be able to act quickly in response to opportunities and barriers by way of actively looking for opportunities to exploit their strategic abilities, adopt and seek improvement in every area of their business by building on awareness and understanding of current strategies and successes.

Since managers operating in organizations perform a number of activities such as planning organizing, and controlling the work of their subordinates, motivating them, controlling what happens and evaluates results. Decisions by managers have a strategic impact and contribute to strategic change in the organization. Every organization is seen as one of a number of competitors in an enterprise, and to a greater or lesser degree, these competitors will be affected by the decision, competitive strategies and innovation of the others. These independences are crucial, and consequently, strategic decision should always involve some assessment of their impact on others companies and likely reactions.

For long time success, organization most competes effectively and performed better than their rivals in a dynamic environment. To accomplish this, they must find suitable ways for creating and adding values for their customers.

Strategic management is a very important element of organizational success, therefore the need to know what the business is all about, what it is trying to achieved and which way it wants to achieve that are very important decision that must be carried out. Determining the effectiveness of the contribution of each member is a very good requirement.

In the case of Small and Medium scale Enterprises, both internal and external forces can dictate whether the business stay solvent or not. The major problem for many SMEs is that of the management of cash flow. To succeed, a business must have clearly defined objective, and developed strategies for achieving them, i.e. a very

good business plan which shows the purpose of the business and what it intends to accomplish. A good business plan help to give form and substance for an entrepreneurial business set up and vision, providing a mechanism that enable owners, managers and workers to function effectively.

### **1.2 Statement of the Problem**

The essence of any business organization is to achieve its desired goals. On the other hand, SMEs are very valuable and their failure rate is very high that no nation can afford to ignore.

Jeff (2000) posited that 60% of small business enterprises failed in the first three years of their existence in Kaduna state. With the problem at hand greater efforts are urgently needed to reduce the failure rate of SMEs. s Although, every nation has instituted assistance program to aid its own SMEs, the entrepreneur efforts count most in determining the performance of the industry. After all, assistance programme are no more than tools available for the SMEs. It is the careful selection and correct application of such tools that determines entrepreneurial success.

### **1.3 Objective of the Study**

The overall aim of this study is to appraise the value of strategic management concept and techniques as applies to Small and Medium Enterprises, and to determine the best ways SMEs can applied the competitive strategic management ideas in a time-saving manner.

The specific objective of the study is as follows:

1. To appraise the value of Competitive Strategic concept and techniques as applied to Small and Medium Enterprises.
2. To determine the best ways SMEs can apply the Competitive Strategic ideas in a time - saving manner.
3. To suggest methods that may prevent major crises and business failures.
4. To examine carefully how strategic advantages helps in the development of SMEs.
5. To make recommendation as to how strategic advantage can be use in enhancing SMEs.

### **1.4 Research Question**

Based on the problems in focus and the identified objectives of the work, this research study will seek to answer the following questions.

- a. Does strategic management in an organization really yield positive results always?
- b. What are the best ways SMEs can apply the strategic management idea in a time - saving manner.
- c. What are the methods that may prevent major crises and business failure among SMEs in Nigeria
- d. Does Competitive Strategic Advantage help in the development of SMEs?
- e. Does organization exist with the sole aim of passing through competition before it succeeds?

### **1.5 Statement of Hypotheses**

Given our statement of problem and the research question raised, this study will draw the hypothesis with which we will be able to answer the question raised as follows:

Hi strategic management helps in the development of small and medium scale enterprise in Nigeria.

H0 Strategic management does not help in the development of small and medium scale enterprise in Nigeria.

### **1.6 Significance of the Study**

This study tries to portray the need for effective Competitive Strategies in SMEs as they contribute to the economy of every nation. The need for this study is further emphasized in Nigeria, where small and medium scale enterprises over the years have been battling with cases of failure.

This study will therefore be of tremendous value to the entrepreneur operating in the SMEs as it will help them in facilitating their Competitive Strategic decision that will help them stand the test of time.

The study will also serve as an invaluable contribution to literature on Competitive Strategic management that students, academicians, researchers and the general public can gained from especially as it may concern the increase and benefit of applying Competitive Strategies for Small and Medium Scale Enterprise in Nigeria to enhance their productivity.

### **1.7 Scope of the Study**

The scope of this study covers the role of strategic management in Small and Medium Scale Enterprises in Kaduna state with particular interest on some randomly selected SMEs operating in the southern and northern parts of Kaduna metropolis.

By choosing different SMEs, which engage in different businesses, the researcher will be able to assess the role of Competitive Strategic management process which will enable him to ascertain its contributions and impact on their existence, which will also provide the researcher with a basis for making objective conclusion.

## **2.1 Literature Review**

Over the years, quite a number of literature have been written on the subject matter strategic management, so also empirical studies been undertaken to determine the significance of strategic management to SMEs growth and existence.

Given that a number of management experts and business thinkers considers and also established through experience and research findings that Competitive Strategies has not only become an essential business process, but also a vital tool needed by SMEs in order to realize their strategic objective of existence.

Bateman and Zenithal P (1990) posits that decision generate action that produce results, that organizations results are the consequences of the decision made by its leaders. He said that the frame work that guide and focus as this decision is strategy. The frameworks that guide competitive positioning decision are called Competitive Strategies. The purpose of competitive strategy he said is to build a sustainable competitive advantage over the organizations rivals.

Bateman also posits that the key to strategy formulation lies in understanding and overcoming the system barrier that obstruct the attainment of organizational goals. An effective strategy he said recognizes these barriers and develops decision and choices that convert them to opportunities.

## **2.2 Concept of Competitive strategy**

Various authors see the concept of competitive strategy differently.

The American heritage dictionary of business term (2010) said competitive strategy is a plan on how a firm will compete, formulate policies after evaluating how its strength and weaknesses compare to those of its competitors can be converted to opportunities.

Porter (1996) sees competitive strategy as a long term action plan that is device to help a company gain competitive concepts which are: cost leadership strategy, differentiation strategy, innovation strategy, growth strategies and alliance strategies.

## **2.3 Types of Competitive Strategy.**

Jeff (2000) posits that there are four broad categories of competitive strategies, two with threatening moves and two with none-threatening moves. Threatening moves take two general forms, offensive and defensive strategies. Similarly the non-threatening moves are also classified in to two broad categories: Collusive and strategies alliances.

Porter then defines them as moves that:

1. Improve the firm's position and that of rival firms even if they are not matched.
2. Improve the firm's position and that of rival firms only if they are matched by most rival firms.
3. Improve the firms' position because they are not matched by rival firms.

## **2.4 The Competitive Environment**

Bateman and Zenithal P. (1990) posits that while it is essential for all managers to have some insight in to how their organization is affected by the environment in which they operate, it is also desirable for them to consider how some of the environmental forces might be influenced and managed to gain benefit for the organization. This is less possible generally in the case of small businesses as they are relatively less powerful. However, small companies should examine their environments in order to establish where their resources might most usefully be concentrated. Bateman and Zenithal also believed that a complex and dynamic modern environment is inevitably difficult to forecast, the inherent uncertainties can make it highly unpredictable and potentially chaotic. Therefore, the managers who are encouraged to think about future changes, to ask question and to query assumptions will increase their insight and awareness, and this should help decision-making.

Ansoff, (2001) posits that the extent to which the environment is changeable or turbulent depends on six factors.

- i. Changeability of the market environment
- ii. Speed of change
- iii. Intensity of competition
- iv. Fertility of technology
- v. Discrimination of customers.
- vi. Pressure from government and influence groups. He suggest that the more turbulent the environment is, the more aggressive the firm must be in terms of competitive strategies and entrepreneurialism, or changes orientation if it is to succeed.

## **2.5 Strategic Approach**

Beal Reginald (2000) posits that strategy is not about planning, but about thinking and doing. It is not techniques, but way of managing the business according to a strategic understanding and perspective. He said Competitive Strategic management is concerned with understanding, choosing and implementing the strategy that an organization follows. Therefore, managers should be aware of the issues which must be address if changes in strategy are to be formulated and implemented effectively.

## **2.6 Competitive Advantages**

Hersberg F. (2009) posits that real competitive advantage implies companies are able to satisfy customer need more effectively than their competitors. It is achieved if and when real value is added for customers.

A business must add value if it is to be successful. He identified the important elements in adding values to include.

- i. Understanding and being close to customers, in particular understanding their perception of value.

- ii. A commitment to quality
- iii. A high level of all round service
- iv. Speedy reaction to competitive opportunities and threats.

Small organization which understands their customers can create competitive advantage and so benefit from higher prices and loyalty of customers, while higher capacity utilization can help to reduce cost.

While it is important to use all resources efficiently and properly, it is also critical to ensure that the potential value of the outputs is maximized in ensuring they fully meet the needs of the customers for whom they are intended. An organization achieves this when it sees its customer's objectives as its own objectives and enables its customers to easily add more value or in the case of final consumers, feel they are gaining true value for money.

### **2.7 Business Strategy in an Organization.**

Kreitner (1989) posits that business strategy is all about competitive advantage. In general, strategy has to do with long term prosperity; it is concerned with long term asset growth, not short term profit. Thus, business strategy ensures that resources are allocated in the most effective and efficient way. This is particularly important when it comes to major resources allocation decisions.

The purpose of strategy is therefore not best conceived in terms of its impact on the bottom line, instead it can be identified in more operational terms as setting the direction of a business and achieving a concentration and consistency of effort. The purpose of strategy is to ensure an awareness of when change is necessary and thus the ability to be flexible. Business strategy according to Kreitner is concerned with how to make an individual business survive and grow and be profitable in the long term.

### **2.8 Strategic Approach and Small and Medium Enterprise**

Thomson and John (1997) posit that small business manager's experiences with strategic approach and strategic management point to the need for possible modification in this process. The process need not be as detailed or lengthy as practiced by large organizations, which could simply involve responding to questions as:

- i. Where are we
- ii. Where do we intend to go
- iii. Can we get there
- iv. What decision must be made to get there?

Thomson and John still posit that if the organizations gain an advantage, the business will survive. And if the advantage is significant, the organization will thrive.

### **2.9 Critical Factors of Small and Medium Enterprises in Nigeria**

Economist intelligence unit (2005) posits that many unsuccessful entrepreneurs blamed their failures on the lack of adequate financial resources. Yet, failure attributed to lack of financial resources indicates either an actual lack of money or the failure to adequately use the resources available. Non financial resources are also crucial to the success of the new business. Well planned management of time and employees allows the new small firm to counteract the advantage of large firms. The entrepreneur can realize efficiency by using a network composed of suppliers and customers.

Pursuits of an effective entrepreneurial strategy are mainly through information. Identifying the competitive advantage has to be mapped through the collection and analysis of information from existing and potential customers.

### **3.1 Research Methodology**

There is various methodology of research according to different scholars, based on the angle or the perspective they look at the research. For the purpose of this work, the Winner and Dominick (1994) methods which is to a large extent widely acceptable by researchers will be used.

### **3.2 Population of the study**

The population of this research is the entire staff of the 5 selected companies in Kaduna. I.e. Finite White House Hotel, Bavic Aluminum, Freedom Motors, Food planet and chelco Blanket limited.

### **3.3 Sample and Sampling Techniques**

For the purpose of this research work a simple random sampling technique was used to elicit information from the total population of 86 and come up with a sample size of 45 which cut across and represent the various group interests in the population. This sample is made up of 5 each, 10 and 20 from finite white house hotel, Basic Aluminum, Freedom Motors, Food Planet and Chelco Blanket limited respectively.

### **3.4 Sources of Data Collection.**

Efforts were made from this work to ensure that all data needed for this work are collected via the primary and secondary sources of data collection. While the primary data were collected through Interviews, Questionnaires, and Survey, the secondary data were collected through Textbooks, Journals and already existing works relevant to the work under consideration.

#### 4.1 Data Presentation Analysis

Here, the research findings shall be discussed based on the responses received from the respondents from the selected companies in Kaduna as the case study. As a result of this 50 questionnaires were distributed with 45 filled and return making 90% success rate. To really analyze the data, the researcher chooses to use simple percentages and the information presented in tables.

The use of non-parametric chi-square ( $\chi^2$ ) to test the hypothesis was also employed by the researcher with the Chi-Square formula as

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where  $\chi^2$  = Chi-Square  
 O = Observed Frequency  
 C = Expected Frequency  
 E = Summation

Degree of freedom (df)  
 = (r-L) (C-L)

Where

R = Number of rows

C = Number of columns

Table 1: What is your Sex?

Response	No of respondents	Respondents of %
Male	35	78
Female	10	22
Total	45	100

Source: field survey 2014

The table above shows that the companies are having more male workers than their female counterpart; this could be as a result of the nature of the business the companies are into.

Table 2: what is your age?

Response	No of respondents	Respondents of %
ND/NCE	12	29
HND/BSC	20	44
POSTGRADUATE	13	27
TOTAL	45	100

Source: field survey 2014

The above table shows that the companies are made up of qualified personnel at both the lower, middle and top management whose views with regard to competitive strategy should be held with high esteem.

Table 4: What is your position in the organization?

Response	No of respondents	Respondents of %
Junior Staff	30	67
Senior Staff	15	33
Total	45	100

Source: field survey 2014

This shows that majority of the staff of the companies' falls in the senior staff category with few as senior staff. This implies that while strategic management decisions are formulated by the top management, there is the need for implementation by the junior cadre.

Table 5: Does competitive strategy helps in the development of small and medium enterprises in Nigeria?

Response	No of respondents	Respondents of %
Yes	40	89
No	3	7
None of the above	2	4
Total	45	100

Source: field survey 2014

The table above indicates that competitive strategy helps a lot in the development of small and medium scale enterprises in Nigeria with 89% in favour of the fact.

Table 6: What is the consequence if management failed in competitive strategic decision?

Response	No of respondents	Respondents of %
Management is dissolved	3	7
Decline in business volume	41	91
Promotion in business	1	2
Total	45	100

Source: field survey 2014

The table above shows that failure of management to take competitive strategy decision always leads to decline in business volume, the consequence of which will results to takeover of the market by competitors.

Table 7: What is the essential element of passing through competitive strategies as a small and medium scale enterprise?

Response	No of respondents	Respondents of %
To beat down competitive	5	11
To stand still in existence	10	22
All of the above	30	67
Total	45	100

Source: field survey 2014

It show that any small and medium scale enterprise that embarked on competitive strategies will be able to beat down competitors and stand still in existence in the area of it business operations.

Table 8: Does organization exist with the sole aim of passing through competition before it succeeds?

Response	No of respondents	Respondents of %
Yes	1	2
No	40	89
None of the above	4	9
Total	45	100

Source: field survey 2014

The above table shows that for any organization to successes, it must be proactive and not reactive to its competitor's challenges

Table 9: Who are the sole determinants of the success of small and medium scale enterprises?

Response	No of respondents	Respondents of %
Top management	35	78
Middle management	10	22
Lower management	0	0
Total	45	100

Source: field survey 2014

The table above shows that competitive strategies are always taking by top management to be implemented by the middle management in any small and medium scale enterprises.

Table 10: How does competitive advantage help in the development of Small and Medium Enterprises in Nigeria?

Response	No of respondents	% of Respondents
Indicate weak point of organization	29	64
Task managers to think	15	34
Faster growth in the organization	1	2
Total	45	100

Source: field survey 2014

The above table shows that the major point of competitive advantage is to indicate the weak point of the top management which transformed to the weakness of the organization.

Table 11: How does competitive strategy prevent crises and failure of the business.

Response	No of respondents	Respondents of %
High quality product	5	11
Avoid out of stock	10	22
Ascertain small product needs	30	67
Total	45	100

Source: field survey 2014

The table above shows that any organization that embarked on strategic analysis will never lack customers, as it will always identify their needs and satisfy them effectively.

Table 12: What are the roles of customers over competitive strategies for the development of small and medium enterprises?

Response	No of respondents	% Respondents of
They buy the best products	6	13
They buy according to their income	8	18
They give feedback of product to the producer	31	69
Total	45	100

Source: field survey 2014

The table above shows that feed back of customers on the product to the producer makes the organization to grow and make profit for the stakeholders.

Table 13: Are there advantages associated with competitive strategy?

Response	No of respondents	Respondents of %
Yes	45	100
No	0	0
Total	45	100

Source: field survey 2014

The table above shows that all the staff of the organization agreed that there are advantages associated with competitive strategy.

### Test of Hypotheses

HO: competitive strategies do not help in the development of SMEs in Nigeria

Hi: Competitive strategies help in the development of SMEs in Nigeria

To conduct this test, the non parametric statistical tool chi-square ( $\chi^2$ ) will be use since cross data drawn from the questionnaire in order to determine its relative goodness of fit will be tested chi-square is represented by the formula

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

O = is the observed frequency of any value

E = the expected frequency of any value

$\chi^2$  = chi-square.

Response	Junior Staff	Intendicate staff	Senior and top management staff	Total
Yes	25	5	10	40
No	2	-	-	2
	-	3	-	3
Total	27	8	10	45

$$\chi^2 = 20.93$$

At 95% level of significance and 4 degree of freedom = 9.49 < 20.93.

Decision = Accept Hi that competitive strategies helps in the development of small and medium scale enterprises in Nigeria.

### 4.4 Discussion of Findings

The following were discovered from the analysis of the data collected for the research from the case study.

1. Competitive strategies help in the development and existence of Small and Medium Scale Enterprises in Nigeria.
2. That the advantages of competitive strategic management out weight the disadvantages.
3. That competitive strategies bring out the weakness of the management which later transforms to the weakness of the organization.
4. That all decision making either good or bad are traceable to the top management of the organization.
5. That customer helps small and medium scale enterprises by way of giving them feedback on their product that help them to plan ahead.

## Summary, Conclusion and Recommendation

### 5.0 Summary

This study investigated the role of competitive strategies in the development of small and medium scale enterprises in Nigeria, with Kaduna state as a case study. Some randomly selected small and medium scale industries were used to help the researcher obtain appropriate results through questionnaire. The data gathered was analyzed using simple percentages and chi-square for the test of hypothesis. The tested advanced that

competitive strategies help in the development of small and medium scale enterprises in Nigeria using chi-square of 5% level of significance.

The outcome of this research indicates that the competitive advantage outweighs its disadvantages, therefore pointing out that the small and medium scale enterprises should engage in competition with proactive instead of reactive measures.

### **5.1 Conclusion**

For any organization to succeed long time, it must compete favorably and effectively to outperform their rival in a dynamic environment. To accomplish this, they must find suitable ways for creating and adding value to their customers.

The study revealed that strategic management is a high important element of organizational success. The need to know what the business is all about, what it is trying to achieve, which way it is heading to and how it intends to get there is a very basic requirement in determining the effectiveness of every member's contribution.

Finally, competitive strategy plays an important role in the development of small and medium scale enterprises, it makes managers think fast for wrong decisions made and to reason together on how to overcome their competitors and to provide customers' needs comprehensively.

### **5.2 Recommendations**

Based on the findings from the study the following recommendations become inevitable:

1. Management shouldn't just jump into any competitive strategy. They must first of all survey the market to find out whether there is a competitor's product in the market, before taking action over decision making whether to add a new product or improve the quality of the existing one to fight competitor's product.
2. The management of small and medium scale enterprises should always try to identify the appropriate market niches where no competitors exist.
3. That management of small and medium scale enterprises should not use only informal education to make decision, but rather advised to obtain formal education to enable their business to flow well.
4. That motivation to the customer should be taken very seriously by organization to achieve long term plan, and to surpass competitors, producers should ensure that their products have quality which the customers' needs.
5. The identification of customers' needs and how best they can be satisfied should be the serious concern of the management of small and medium scale enterprises in Nigeria.

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