Strategic management and Small and Medium Enterprises Performance: Evidence from Lagos State, Nigeria

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Abstract
The study examines the impact of strategic management on the performance of SMEs in Lagos State, Nigeria. A survey of two hundred and two (202) of Small and Medium Enterprises (SMEs) that have been in operation for the past ten (10) years were randomly selected from one thousand nine hundred and sixty-five (1,965) that registered with Ministry of Commerce and Industry in Lagos State. Data analysis was performed with the aid of an Ordinary Least Square method of estimation. The findings reveal that commitment to strategic management has a positive impact on SMEs’ performance but not significant, while the inclusion of members of staff in the strategic management process has a positive and significant impact on SMEs’ performance. The study concludes that for SMEs in Nigeria to achieve sustainable competitive advantages in this era of the cut-throat global competitive environment, the inclusion of all stakeholders in the strategic management process is prime importance.

Keywords: Strategic, Management, Performance, SMEs, Vision, Mission, Stakeholder

Introduction
Today’s worldwide cut-throat aggressive environment has forced SMEs in both advanced and emerging economies to think strategically. This is on account that strategy is a robust managerial tool that empowers SMEs to wax more potent and remain competitive. The contribution of SMEs to the economic development cannot be overemphasized in terms of employment generation, poverty alleviation, and wealth creation throughout the world (Aylin, 2008). To confirm this statement, International Trade Center (2015) takes notice that SMEs generate over 95% of employment, contribute roughly half of GDP, and record for 60% to 70% of the absolute business. The report of Small Business Administration (SBA) (2014) additionally insists that SMEs assume a fundamental job in the United State economy, representing 99.7% of all employer firms in the United States and employing half of U.S. workers while report from the Federal Office of Statistics shows that over 97 percent of the entire enterprises in the country are SMEs and they employ half of the Nigerian working population (Aremu, Aremu and Olodo, 2015; Eniola and Ektebang, 2014).

Strategic management has been considered as a strong tool for SMEs to develop sustainable competitive advantages in a globally competitive business environment. According to Aremu and Oyinloye (2014), strategic management provides overall direction to the enterprise and includes specifying the organisation’s objectives, growing long-time period guidelines and plans designed to obtain these goals, after which allocating sources to implement the plans Branislav (2014) further puts it as “the workmanship and study of planning, executing and assessing cross-practical choices that empower an organization to accomplish its goals” the investigation of Babalola and Taiwo (2016) uncover that vital strategic management includes looking for an ideal arrangement between the hierarchical item and the inexorably evolving markets. Even with an evolving market, an organization is confronted with different key alternatives remembering congruity for creating the old item for the old market; repackaging the old item for another market; building up another item for the old market, or building up another item for another market. Earlier studies attest that usage of strategic management processes have a huge effect on SMEs’ performance (Burugo and Owour, 2017; Makanga and Paul, 2017; Mutemi et al., 2014; Aldehayyat and Twaisi, 2011; Amurle, Gakure and Waititu, 2013; Muogbo, 2013).

In Nigeria setting, implementation of strategic management by SMEs is till at the infancy stage. Previous investigations in Nigeria affirm that SMEs gave little consideration to the strategic management practices, even those SMEs that attempt to plan strategically tend to only do so occasionally and inconsistently (Sajuyigbe,
Adeyemo & Abodunde, 2015). But, in a situation wherein strategic management is in practice in SMEs, the study reveals that it is informal, unstructured, and irregular, supported by inadequate and ineffective information, usually received via informal sources, and reactive in preference to proactive (Aremu, Aremu and Olodo, 2015). Moreover, when most SME operators engage in strategic thinking, such an attempt is seldom formal due to lack of resources, managerial skills, adequate information, expertise, and time (Makanga and Paul, 2017; Mutemi et al., 2014). The contingency theory draws attention to organizations, especially SMEs to implement strategic management processes formally, regularly and supported by adequate and effective information, which certainly empower SMEs to provide a framework for the existing size and capability to remain competitive (Ahmed and Mukhongo, 2017). In the same line, the survival-base theory additionally requires each SMEs operator to remember to be strategic if they do not want their businesses to be squashed by competitors (Eniola and Ektebang, 2014).

Strategic management has received a lot of research attention in developed and developing nations and it has measured and conceptualized in many different ways. However, the construct has not been explored and is still remains challenging construct in Nigeria especially in the Small and medium enterprises sub-sector. This study, therefore, intends to fill the gap in knowledge by examining the impact of strategic management on the performance of SMEs with particular reference to Lagos State, Nigeria.

Research Questions
The following questions shall be the focus of this study.

i. To what extent does the level of commitment to strategic management impact SMEs’ performance?

ii. Does the inclusion of members of staff in the strategic management process impact SMEs performance?

Research Hypothesis
The following hypotheses were formulated for the study in the null form.

Ho1: Commitment to strategic management does not have a significant impact on SMEs’ performance.

Ho2: Inclusion of members of staff in the strategic management process does not have a significant impact on SMEs performance

Concept of Strategic Management
Babalola and Taiwo (2016) followed strategic management to the 1980s when strategic planning was supplanted by ‘strategic management’. Micheal Porter (1980) is among the founding fathers of strategic management as an academic field. He made a central commitment to the field of strategic management with the key spotlight on the competitive strategy of the firm. Porter’s dedication lies predominantly within the competitive positioning which represented the dominant strategy paradigm of the 1980s (Stonehouse & Pemberton, 2002). The assessment among strategic planning and strategic management is that the previous is focused on settling on best technique selections, even as the last is centered on developing key outcomes: new markets, new items as well as new improvements (Babalola and Taiwo, 2016). Sajuyigbe, Adeyemo, and Abodunde (2015) accentuation the want for machine improvement in businesses and he pushed ahead to symbolize the process for instance of objectives, purpose, and targets expressed in a method to represent corporarions’ enterprise now and later on. He in addition constructed up the concept of SWOT (Strengths, Weaknesses, possibilities, and Threats) exam planned for estimating each of the inner and outdoor business conditions of the organisation (O’Shannassy, 2003). His thoughts were key in the gift enterprise attempting to plot methodologies to empower them to prosper within the competitive market circumstance.

Strategic management is about recognizable proof and portrayal of the methods that supervisors can carry a good way to accomplish better execution and a top hand for their agency. An organization is stated to have an upper hand if its advantage is higher than the normal productivity for all organizations in its industry. As indicated by means of Wheelen and Hunger (2008), strategic management practices include 3 essential components; method system, implementation, evaluation, and manage. It is interior these three additives that strategic control practices are confirmed and are additionally portrayed because the strategic management system. Adeleke et al., (2008) represent strategic management practice as the way toward looking at both
The strategic management process is started out to empower the business enterprise’s pinnacle administrators to decide those choices that influence the long term benefit and maintainability of the organizations. It consists of massive scope preparation of belongings over the organization to create skills and capacities for the future whilst coping with the threat such lengthy haul choices contain.

Environmental Scanning: that is the process of accumulating facts approximately activities and their relationships within a company’s internal and external environments. The fundamental reason of environmental scanning is to help management determine the destiny path of the organisation. The external analysis aids managers in figuring out firms’ opportunities and threats, even as, the internal evaluation is for figuring out the unique competence (Kraja & Osmani, 2013).

Strategy Formulation: This is the method through which an organization chooses the maximum suitable publications of movement to attain its defined desires. This procedure is important to a business enterprise’s fulfillment as it gives a framework for the actions to be able to lead to the predicted consequences (Sajuyigbe et al, 2015). Consistent with Branislav (2014), is the process of developing a vision and mission, figuring out the business enterprise’s external possibilities and threats, determining its internal strengths and weaknesses, organising long-term targets, producing alternative techniques and putting policy tips and rules.

Strategy Implementation: This is a system that puts plans and strategies into motion to reach favored dreams. The strategic plan itself is a written report that information the steps and methods needed to attain plan desires and consists of remarks and development reports to make sure that the plan is on course (Kraja & Osmani, 2013).

Strategy Evaluation: this is the procedure of figuring out the effectiveness of a given method in reaching the organizational goals and taking corrective actions every time required. Strategy evaluation is that segment of the strategic management process in which top management attempts to guarantee that the strategy formulated is being nicely applied and is meeting its objectives of the agency. Manipulation and evaluation strategies assist strategic managers monitor the progress of a plan (Ahmed & Mukhongo, 2017). Consequently, a well-developed strategy coupled with right execution is essential for SMEs to stay competitive on this surroundings and make the growth of SMEs sure (Koech & were, 2016)

Concept of Organizational Performance
The concept of organizational performance has been based on the possibility that an employer is a willful relationship of useful resources, including human, physical, modern and capital belongings, that allows you to accomplish an average purpose (Barney, 2002). As indicated by Richard et al. (2008) organizational overall performance includes three specific zones of company consequences: (I) financial related overall performance (benefits, return on investment, quantifiable profit, and so on.); (ii) marketing overall performance (sales, market share, and so on.); and (iii) investor return (shareholder return, economic value-added, and so on). The powerful presentation of SMEs does no longer just depend on exceptional financial overall performance, yet instead in transit, the enterprise visionaries and representatives cooperate and satisfy their dreams in a joint and composed premise. According to Pushpakumari and Watanabe (2010), the enterprise person is the advancement transfer that makes a decision if any undertaking will succeed or up short.

**Theoretical Review**

Key important theory that will direct this study will be the Resource-Based View in light of the fact that the theory was to a great extent acquainted with the field of strategic management during the 1980s and turned into a predominant system during the 1990s. Barney (2002), affirms that organization’s resources incorporate all benefits, capacities, hierarchical procedures, company’s traits, data, information, among others constrained by a firm that empowers the firm to consider and actualize techniques that improve its proficiency and adequacy. The ongoing accentuation on the RBV worldview has been strategic management’s response to the previous accentuation on the effect of outside ecological factors on key decisions and results particularly as reflected in the transcendence of Porter’s Five Forces Model in approach content advancement. RBV addresses how to create and use abilities that will continue and upgrade firm execution (Babalola & Taiwo, 2016). Sajuyigbe et al., (2015) took a gander at resources as the drivers of effective expansion, while, Wang and Walker (2012) recommended that assessment of firm resources was an appropriate beginning stage for recognizing items and markets where they could be applied.

RBV theory sees resource use and improvement as unique. Resources change as the after effect of creative administrative conduct, as it is the utilization of the resources and not simply the resources that produce benefits. With regard to this theory, it is apparent that the resources that a firm has will assume a major job in the vital usage process. This is on the grounds that regardless of how great the systems are, without the fundamental resources to empower the usage, they stay in the arranging stage. The resource-based approach sees firms with prevalent frameworks and structures being beneficial not on the grounds that they take part in key speculations that may discourage section and raise costs above since quite a while ago run costs, but since they have particularly lower expenses, or offer extraordinarily higher quality or product performance. This approach centre around the rents collecting to the proprietors of rare firm-explicit resources instead of the financial benefits from item markets situating. The upper hand lies ‘upstream’ of item markets and lays on the firm’s eccentric and hard to impersonate resources.

**Relationship between Strategic Management and SMEs Performance**

A plethora of studies on the relationship between strategic management and performance of SMEs have conflicting results. Some observed that strategic management practices have significant relationship with SMEs’ performance, while some have a contrary view that strategic management practices have significant relationship with SMEs’ performance. For example, Burugo and Owour (2017) examine the influence of strategic management practices on business profitability with particular reference to the Chai trading company limited in Kenya. The result of the analysis indicates that organizational performance has a significant relationship with strategic management practices. Another study conducted in Nairobi City of Kenya by Gure and Karugu (2018), they used descriptive statistics such as frequencies, percentages, mean scores to establish the influence of strategic management practices on the organizational performance of SMEs. The results show that strategic management practices have a positive influence on SMEs’ performance.

Abosede, Obasan, and Alese (2016) examine the relationship between strategic management and SMEs development. The conclusion drawn was that the implementation of strategic management is a veritable tool for SMEs survival and development. Another study carried out in the North Central Zone of Nigeria by Aremu, Aremu, and Olodo (2015), examine the impact of internal and external SM variables on the performance of SMEs
and indicates that internal and external variables of strategic management have a significant effect on SMEs performance. In the same line, Makanga and Paul (2017) evaluate the influence of strategic management practices on organizational performance with particular reference to Kenya Power and Lighting Company Ltd, Nairobi County, Kenya. The result reveals that strategic management practices have an influence on organizational performance. Vitkauskait (2017) also evaluates the impact of strategic management practices on organizational performance with particular reference to independent film companies. The study establishes that the process of strategic management have impacted on the companies’ competitive advantage. The study of Muogbo (2013) also concurs to previous studies that strategic management practices have significantly increased the competitiveness, employees' performance, and general productivity of manufacturing firms in Anambra State, Nigeria.

However, the study of Adeyemi et al. (2017) has contradictory view, they assert that owners and managers of SMEs in Nigeria are poorly aware of the contribution of strategic management practice to the success of their organization and the way in which it can be undertaken. In a similar study, Sajuyigbe, Adeyemo and Abodunde (2015) also confirm that frivolous implementation of strategic management among the operators of SMEs in Nigeria has not impacted positively and significantly on the growth and success of SMEs.

Methodology

A survey of two hundred and two (202) Small and Medium Enterprises (SMEs) that have been in operation for the past ten (10) years were randomly selected from one thousand nine hundred and sixty five (1,965) that registered with the Ministry of Commerce and Industry in Lagos State. The sample size for the study was determined by the formula suggested by Mugenda and Mugenda (2003) and the decision of these chose SMEs depends on the way that 10 years of activity is sufficient to actualize different figured strategic plans. The investigation test was drawn from the manufacturing, construction, trading, and service industry. The information assortment instrument was an organized survey intended for the investigation. The instrument was designed in a Likert scale format, with responses ranging from Strongly Agree (5) to Strongly Disagree (1). The reliability of the research instrument was determined with the aid of test-retest method, while the face and content validities of the instrument was also determined via experts' verification. Data analysis was performed with the aid of Ordinary Least Square method of estimation.

Model Specification

The study made use of these independent variables (commitment of stakeholders and inclusive planning) and one dependent variable (SMEs' performance). To evaluate the impact of strategic management on SMEs' performance, mathematically, the model is expressed as follows:

\[ Y = f(X) \]

When

\[ Y = \text{the dependent variable i.e. SMEs Performance}. \]
\[ X = \text{the independent variable i.e. Effective Strategic Management}. \]

SMEs Performance was measured through the economic goals of the businesses such as return on investment, sales growth, and profitability (Hartenian & Gudmundson, 2000). While, the effective Strategic Management is measured by the commitment of stakeholders and inclusive planning (Babalola & Taiwo, 2016; Doran, 2003; Hogan-Burke et al., 2002; Seland, 2000)

Therefore,

Model I

Commitment of stakeholders = f (SMEs Performance)

\[ \text{COS} = \beta_0 + \beta_1 (\text{SMP}) + \mu \]

Model II
Inclusive planning = f (SMEs Performance)

INP = f (SMP)

INP = β₀ + β₁(SMP) + µ

Where;
β₀ = Intercept
β₁ = Regression coefficient
µ = Stochastic error term

Results and Discussion
Regression result on the impact of commitment to strategic management on SMEs performance

Table 1(a): Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.400 a</td>
<td>.160</td>
<td>.150</td>
<td>.67656</td>
<td>1.374</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Commitment to strategic management

b. Dependent Variable: SMEs Performance

Table 1(a) shows the summary statistics of the analysis of the commitment to strategic management variable on SMEs performance. The coefficient of correlation (R) = 0.400; the coefficient of determination (R²) = 0.150; and the standard error estimate of 0.67656, indicating 15% of the sampled SME’s performance can be associated to the promotion of commitment to strategic management.

Table 1(b): ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>1.452</td>
<td>1.791</td>
<td>.376 b</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>200</td>
<td>1.836</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>201</td>
<td>162.989</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Commitment to strategic management

Table 1(b) reveals that the independent variable (commitment to strategic management) does not contribute significantly on the regression plane.

Table 1(c): Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
</tbody>
</table>

Table 1(c): Coefficients
Table 1(c) shows that commitment to strategic management ($\beta = 0.112; p = 0.376$) has a positive impact on SMEs performance but not significant. This may be a result of low involvement in the strategic management process by the SMEs operators in Oyo State. The result is consistent with that of Al-Qatamin and Al-Qatamin (2012) that profitability has a weak positive discriminatory effect, while SMEs’ productivity has no statistically significant contribution to strategic performance.

Therefore, the null hypothesis, which states that commitment to strategic management does not have a significant impact on SMEs’ performance is accepted while the alternative hypothesis is rejected.

Regression result on the impact of the inclusion of members of staff in the strategic management process on SMEs Performance

Table 2(a) Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.566*</td>
<td>.320</td>
<td>.318</td>
<td>1.30115</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), inclusion of members of staff in the strategic management process.

Table 2(a) shows the summary statistics of the analysis of the inclusion of members of staff in the strategic management process variable on SMEs performance. The coefficient of correlation ($R$) = 0.566; the coefficient of determination ($R^2$) = 0.320; and the standard error estimate of 1.30115, indicating 32% of the sampled SME’s performance can be associated to the promotion of inclusion of members of staff in the strategic management process.

Table 2(b) ANOVA*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>611.169</td>
<td>1</td>
<td>287.465</td>
<td>169.797</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>287.465</td>
<td>200</td>
<td>1.693</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>898.634</td>
<td>201</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Inclusion of members of staff in the strategic management process

Table 2(b) reveals that the independent variable (Inclusion of members of staff in the strategic management process) contributes significantly to the regression plane.

Table 2(c) Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.359</td>
<td>.156</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Inclusion of members of staff in the strategic management process

Table 2(c) shows that inclusion of members of staff in the strategic management process has a significant impact on SMEs performance.
Table 2(c) shows that the inclusion of members of staff in the strategic management process (β = -0.527; p = 0.00) has a positive and significant impact on SMEs’ performance. This implies that the inclusion of members of staff in the strategic management process is a strong predictor of SMEs’ performance. The result is in agreement with Makanga and Paul (2017) that the inclusion of members of staff in the strategic management process helps SMEs to attain sustainable competitive advantages. In another study, Branislav (2014) states that the inclusion of members of staff in the strategic management process helps firms in exploiting and creating new and different opportunities for tomorrow.

Therefore, the null hypothesis which states that the inclusion of members of staff in the strategic management process does not have a significant impact on SMEs’ performance is rejected while the alternative hypothesis is accepted.

Managerial Implication of the Finding

The implication of this finding is that if SMEs in developing countries, especially in Nigeria, intend to develop sustainable competitive advantages in this era of cut-throat global competitive environment, commitment and the inclusion of members of staff in the strategic management process is prime importance. Also, management should give more attention to managerial skills. Thus, it helps to reduce the risk of operation by helping the enterprise to innovate in time and take an early action.

Conclusion and Recommendations

The study examines the impact of strategic management on the performance of SMEs in Lagos State, Nigeria. A survey of two hundred and two (202) of Small and Medium Enterprises (SMEs) that have been in operation for the past ten (10) years were randomly selected from one thousand nine hundred and sixty-five (1,965) that registered with Ministry of Commerce and Industry in Lagos State. Data analysis was performed with the aid of an Ordinary Least Square method of estimation. The findings reveal that commitment to the strategic management process has a positive impact on SMEs’ performance but not significant, while the inclusion of members of staff in the strategic management process has a positive and significant impact on SMEs’ performance.

Subsequently, the study recommends that SMEs’ operators should involve all stakeholders when formulating strategies and take the necessary precaution accordingly and very religiously. Also, they should utilize their internal resources effectively without minding their position in the external environment. Lastly, SMEs’ operators should acquire more knowledge on the application of strategic management practices through attending workshops, conferences, and seminars in Nigeria and abroad.

Contributions to knowledge

This study has provided empirical evidence that strategic management is an antidote for distressed syndrome facing SMEs in Nigeria. The findings of the study serve as eye opener to the SMEs operators/managers, and policy makers on the need to commit and include members of staff in the strategic management process.

Suggestion for Further Studies

In order to generate more findings in this area of study, the following suggestions for further studies are made:

i. Effort should be geared towards the study of strategic management in other states of the federation so as to generalize the findings.

ii. Future researches should incorporate other strategic management dimensions that happen to have an essential connection with SMEs’ performance.

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