



Towards Achieving Competitive Advantage through the Management of Strategy: Evidence from Smes in Sokoto State

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ABSTRACT

This study assessed the effect of strategic management on the competitive advantage of SMEs in Sokoto State. The study adopted survey research design. A multi-stage sampling technique was used to choose respondents. The sample size of the study was 206. Data collected for the study was analyzed using both descriptive and inferential statistics. Stepwise Multiple Regression was used. The study found that strategy formulation has a substantial negative linear association with competitive advantage of SMEs in Sokoto State. The implementation aspect of strategy management was found to have significant positive linear relationship with the competitive advantage of SMEs in Sokoto State, and strategy evaluation has a substantial positive linear association with SMEs' competitive advantage. The study concluded that the competitive advantage of SMEs in Sokoto State is influenced by strategic management processes. The study recommends that SME owners and policy makers should review their strategic management processes so as to foster the achievement of competitive advantage in Sokoto State.

ARTICLE INFO

Article history:

Received 10 Aug 2022

Received in revised form

10 Sep 2022

Accepted 20 Oct 2022

Keywords: Competitive Advantage, Strategy formulation, Strategy implementation, Strategy evaluation.

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1. INTRODUCTION

The business environment of today is driven by constant struggle and aggressive competition among competitors. Enterprises require adequate resources to develop long term approach to cope with competition. Lee, Hoehn-Weiss and Karim (2021) argued that enterprises use the resources to undertake strategic management. Small and Medium Enterprises (SMEs) make use of similar resources (human, financial, information and physical resources), but with limited scope. Kutllovci and Shala (2013), expressed that SMEs have not achieved success due to inability to use the resources well for strategic management. The cardinal role of SMEs in the effective practice of strategic management is to ensure that resources are well defined.

Strategic management reveals the roadmap through which SMEs can channel their resources with a predetermined course of actions towards achieving competitive edge. Omsa, Ridwan, and Jayadi (2017), opined that strategic management is a means of establishing and implementing long-term plans in a flexible and wide-ranging manner in order to meet corporate objectives. It reflects the formulation and implementation of long-term plan with respect to cost, product differentiation and focus. Although strategic management give credence to varying aspects of business strategies, but the strategy formulation process is influenced by the enterprises culture, structure, operations, and human resource skills. Kahan (2012), reveals that focus strategy helps SME owners to concentrate on cost technique for their market niche or target product differentiation within a target market. The rationale behind the adoption of business strategies is to achieve increased competitive advantage among others. Nkemchor and Ezeanolue (2021), also added that strategic management is instrumental to the achievement of substantial competitive advantage.

The fact remains that large-scale enterprises keep sustaining their competitive position leaving SMEs with constant and increasing aggressive competitive forces. The forces are attached to leading price, deferential product or value creation. SMEs are observed threatened due to the acceptance of owners that they have limited resources to manage business strategies which are the keys to effective competition in the business environment of Sokoto State. SMEs need to caress their limited resources to enhance improved value proposition for customers in Sokoto State. This is expressible in the management of business strategies (caressing scarce resources) to facilitate high competitive advantage.

The review of literature has unveiled prior academic research problem with respect to the measurement of strategic management in the context of Kogi State. Studies (Olanipekun, Abioro, Akanni, & Rabi, 2015; Phina, 2020; Nkemchor & Ezeanolue, 2021; Mohamed & Mohamud, 2021) have used strategy formulation, strategy implementations and strategic evaluation as parameters for measuring strategic management. These are stages in the strategic management process. Many authors have ignored the conceptual understanding of each of these variables in the strategic management process. Kazmi (2008) cited in Adewale (2018), stated that it is the dynamic process of formulating, implementing, evaluating, and controlling business strategies. The factors affecting the development of these strategies are clarity of objectives, effective response to competition's actions, information exchange, participation, employee motivation, sufficient resources (Alharty, Rashid, Pagliari, & Khan, 2017). Others are leadership role, expertise to develop strategy, management experience in strategy development, ability to manage change, and middle level managers' involvement in the strategy formulation process (Woczek, 2017; Piórkowska, & Ryńca, 2020). The core objective of this study was to assess how strategic management process affects competitive advantage of SMEs in Sokoto State.

2. LITERATURE REVIEW

SME owners and top managers are responsible for strategic management. Product/service issues, raw material supply issues, and workforce issues are strategic in nature, and may be addressed properly by SME owners and senior management or outsourced to experienced strategists. In the competitive climate of Sokoto State, SMEs' capacity to deploy resources efficiently to manage strategic concerns indicates their competitiveness. With effective strategic management, SMEs are more likely to succeed and achieve long-term competitive advantage.

It's critical to gain a better understanding of the notion of strategy. This will aid management's knowledge of corporate strategy. A number of authors and scholars have attempted to define the term in a generally accepted manner. The creation of an enterprise's essential long-term goals, as well as the readiness to act and the deployment of resources necessary to attain these goals, is known as business strategy. Though strategy necessitates the deployment of resources to attain long-term goals, more thought should be given to creating covert courses of action. Business strategy, according to Tourani (2021), explains how an enterprise integrates and regulates its operations, gets resources, develops a competitive edge, survives, and thrives in the market. The deployment of resources and the design of organisational processes are essential to achieve a firm's competitive edge (Chalchissa & Bertrand, 2017). This indicates that businesses get a competitive edge through resource allocation and organisational structure design. According to Chen and Keung (2019), business strategy refers to how companies choose to compete, seek, achieve, and maintain a competitive advantage.

Strategic management refers to the management of an organization's resources in order to achieve its goals and objectives. It is a strategy for maintaining that performance targets are met and the enterprise continues to grow. Strategic management provides overall direction by establishing goals-oriented plans and policies, and then allocating resources to put those plans into effect. Nkemchor and Ezeanolue (2021) posited that strategic management is the system that permits the enterprise to achieve that strategic position. Makanga and Paul (2017) added that it is a strong tool for improving an enterprise's competitiveness, performance, and physical growth. Olanipekun, Abioro, Akanni, and Rabiun (2015), added that it is the process of defining an organization's mission, vision, and objectives, formulating policies and plans to achieve that goal (typically in the form of projects and programs), and deploying resources to put the policies and plans, projects, and programs into action. Institute of strategic management Nigeria (2010), sees it as an inclusive management process in which all managers of the enterprise engage in perpetual rethinking and auditing of themselves, their enterprises, and their environments, as well as developing, implanting, implementing, and controlling the enterprise's direction, strategies, and programs, all with the goal of bringing about positive changes, gaining a competitive advantage, and achieving consistently successful performance.

2.1 Theoretical review

The game theory formulated by Neumann and Morgenstern drew the attention of literature to the need of effective strategic management. The behaviour pattern of players in a business competition is described by game theory. It gives an understanding of corporate competitiveness, which includes dragging and collaboration in order to reach a favorable outcome. According to game theory, an SME owner has rivals who modify their strategies based on what they believe every enterprise owners are doing (Nafiu, Sule & Orugun, 2014).

A business rivalry is a thorough description of each player's strategies, the sequence in which they choose strategies, the information they have, and how they value possible outcomes that emerge from strategy choices (Camerer, 2003). The need for business competition necessitates a thorough understanding of the rivalry's rules, the strengths and weaknesses of other players (SME owners). There

is also need for the monitoring of the outcome of effective strategy implementation to facilitate the winning of business competition.

2.2 Empirical Review

In Kenya, Otieno et al. (2017), investigated the impact of strategic management on business performance of small and medium-sized businesses. The study looked at strategy design, strategy evaluation, environmental scanning, and strategy implementation as significant aspects. The study was conducted in a cross-sectional manner. 384 Small and Medium Enterprises in Nairobi's Central Business District were chosen using stratified and random sampling approaches. Their findings revealed that, albeit to a minor extent, the strategy management process has a favorable and significant effect on business performance of Small and Medium Enterprises.

Omsa, Ridwan, and Jayadi (2017), looked into the impact of strategic management on the business performance of small businesses in Makassar. Sales turnover, break even point (BEP), and profit were used to evaluate performance. They employed a survey research strategy. Their findings suggest that strategic management such strategic planning, strategic implementation, and strategic assessment have a favorable and significant impact on SMEs' sales volume, BEP achievement, and profits, particularly in medium-sized businesses. There are gaps in their research. There is a theoretical flaw as well as a strategic management measurement issue. Because the strategic planning process is regarded sequential, the metrics used to evaluate strategic management practices (strategic planning, strategic execution, and strategic evaluation) are found to be poor.

Using a survey research design, Makinde, Akinlabi, and Ajike (2015), investigated the connection between strategic planning and business performance in the Lagos State SME sector. They performed descriptive and regression analysis to come up with their findings. Their research found a link between the adoption of strategic planning and the business performance of small businesses. Strategic planning accounted for a certain percentage of diversity in SME performance, according to the researchers. This appears to be in direct opposition to the study's goal. The research technique looks to be flawed, which could explain why the work is so poor.

3. METHODOLOGY

In this study, the survey research design was applied. The study's population consists of 852 small and medium-sized businesses that are domicile in Sokoto State. The study focuses on SME owners and managers who take leading strategic decisions. A multi-stage sampling technique was used to choose the samples in stages. The researcher divided the SMEs in Sokoto State into groups based on their activities (manufacturing, production of food/beverages, retail trading, education and service rendering) in the first stage. The researcher classified the respondents in the second stage based on common features (age, gender, and experience) at the time of the study. The third stage involves choosing samples based on SMEs clusters. The sample size was obtained using Sallant and Dillman's (1997) sampling approach. The sampling method was used in previous studies (Nafiu, Hassan & Nafiu, 2021). The sample size of the study was 206. The data generated for the study was analyzed using both descriptive and inferential statistics. Stepwise Multiple Regression was used.

4. DATA ANALYSIS AND DISCUSSION

In this section, data are analysed and presented in tables.

Table 1: Mean estimation of factors affecting strategy development process

Factors	Mean	Std. Err.	[95% Conf. Interval]
F1	1.150485	.0249721	1.10125 1.199721
F2	1.18932	.0273619	1.135374 1.243267
F3	1.325243	.032719	1.260734 1.389752
F4	1.334951	.0329641	1.269959 1.399944
F5	1.669903	.0328435	1.605148 1.734657
F6	1.626214	.0337906	1.559592 1.692835
F7	1.432039	.0345974	1.363826 1.500251
F8	1.339806	.0330807	1.274584 1.405028
F9	1.626214	.0337906	1.559592 1.692835
F10	1.635922	.0336064	1.569664 1.702181

Source: Field Survey (2021)

Table 1 shows that F1= sufficient resources, F2= clarity of objectives, F3= effective response to competition's actions, F4= leadership role, F5= expertise to develop strategy, F6= ability to manage change, F7= middle level managers' involvement in the strategy formulation process, F8= adequate knowledge on how to come up with any business strategy, F9= adequate motivation of employees, F10= management experience in strategy development.

The table shows that the factors affecting strategy development process are sufficient resources (\bar{x} = 1.150485; SE = .0249721), clarity of objectives (\bar{x} = 1.18932; SE = .0273619), effective response to competition's actions (\bar{x} = 1.325243; SE = .032719), leadership role (\bar{x} = 1.334951; SE = .0329641), expertise to develop strategy (\bar{x} = 1.669903; SE = .0328435), ability to manage change (\bar{x} = 1.626214; SE = .0337906), middle level managers' involvement in the strategy formulation process (\bar{x} = 1.432039; SE = .0345974), adequate knowledge on how to come up with any business strategy (\bar{x} = 1.339806; SE = .0330807), adequate motivation of employees (\bar{x} = 1.626214; SE = .0337906), management experience in strategy development (\bar{x} = 1.635922; SE = .0336064). Based on the mean scores, the four most critical factors affecting strategy development process are expertise to develop strategy, ability to manage change, adequate motivation of employees, and management experience in strategy development.

Table 2 Multiple regression on strategic management process and competitive advantage of SMEs in Sokoto State

Variables	B	Std. Error	T-Stat	P-Value	R ²	F-Stat (p<.001)	(Mean) ²
(Constant)	2.285	.144	15.840	.000			
Strategy formulation	-.575	.038	-15.105	.000	.401	136.702	.407
Strategy implementations	.249	.031	8.020	.000	.538	118.403	.316
Strategic evaluation	.153	.032	4.714	.000	.584	94.598	.286

Predictors (Constant): Strategy Formulation, Strategy Implementations, Strategic Evaluation

Dependent Variable: Competitive advantage

Source: Field Survey (2021)

Table 2 shows the effects of three variables (such as strategy formulation, strategy implementations,

strategy evaluation) on competitive advantage of SMEs in Sokoto State. Strategy formulation ($R^2=0.401$), strategy implementations ($R^2=0.538$) and strategy evaluation ($R^2=0.584$) explain competitive advantage of SMEs in Sokoto State. It can be seen that 40.1% variations in competitive advantage of SMEs in Sokoto State is predicted by strategy formulation; 53.8% variation in competitive advantage of SMEs in Sokoto State is predicted by strategy implementations and 58.4% variation in competitive advantage of SMEs in Sokoto State is predicted by strategy evaluation. The unpredicted variations (in strategy formulation- 59.9%, strategy implementations- 46.2% and strategy evaluation- 41.6%) signify that we have other variables that can predict the competitive advantage of SMEs in Sokoto State. Therefore, the R^2 -value proved that strategy formulation, strategy implementations and strategy evaluation have effects on the competitive advantage of SMEs in Sokoto State.

Table 2 shows that it is preferable to use the model than to guess the mean. The mean square residual values (0.407 for strategy formulation, 0.316 for strategy implementations and 0.286 for strategy evaluation) are smaller, which show less deviation between the observed and fitted values. The P -value for the F test statistic (136.702 for strategy formulation, 118.403 for strategy implementations and 94.598 for strategy evaluation) are less than 0.001, which provide strong evidence against the null hypotheses. The coefficients of determination (in Table 2) for strategy formulation ($R^2=0.401$), strategy implementations ($R^2=0.538$) and strategy evaluation ($R^2=0.584$) show significant effects on the competitive advantage of SMEs in Sokoto State.

The coefficient of strategy formulation ($\beta= -0.575$; p -value < 0.01) signifies significant negative linear relationship with the competitive advantage of SMEs in Sokoto State. The results show that strategy implementations has significant positive linear relationship with the competitive advantage of SMEs in Sokoto State ($\beta= 0.249$; p -value < 0.01). The result proves that strategy evaluation has significant positive linear relationship with the competitive advantage of SMEs in Sokoto State ($\beta= 0.153$; p -value < 0.01).

5. DISCUSSION OF FINDINGS

Finding revealed that strategic management processes have effects on competitive advantage of SMEs in Sokoto State. The strategy formulation parameter denotes a substantial negative linear association with competitive advantage of SMEs in Sokoto State. This advances the finding of Otieno et al. (2017) that strategy management process has a favorable and significant effect on business performance of SMEs. Finding further showed that strategy formulation has significant but negative linear relationship with the competitive advantage of SMEs in Sokoto State. This implies that much effort that would have run through other strategy management process was only committed to strategy formulation, and this has adverse effect on the competitive advantage of SMEs in Sokoto State. The implementation aspect of strategy management was found to have significant positive linear relationship with the competitive advantage of SMEs in Sokoto State. This implies that more effort towards implementation aspect of strategy management will lead to better competitive advantage of SMEs in Sokoto State. Finding showed that strategy evaluation has a substantial positive linear association with SMEs' competitive advantage. These advance the finding of Omsa et al. (2017) that strategic implementation, and strategic assessment have a favorable and significant impact on SMEs' performance.

6. CONCLUSION AND RECOMMENDATION

The management of business strategies cannot be overlooked in this dynamic business environment. The business climate is getting tougher without consideration for the size or scope of any business enterprises. The success or failure of SMEs is dependent on how resources can be employed to craft

effective business strategy for competitive situation and achieve competitive edge. Effective strategic management can also revolutionize SMEs' performance.

The competitive advantage of SMEs in Sokoto State is influenced by strategic management processes. Strategy formulation has a strong but inverse linear association with SMEs' competitive advantage. The implementation component of strategy management has a substantial direct linear association with SMEs' competitive advantage. The competitive advantage of SMEs has a significant direct linear relationship with strategy evaluation.

The study recommends that SME owners and policy makers should review their strategic management processes so as to foster the achievement of competitive advantage in Sokoto State. They should overhaul the formulation aspect of the strategic management process as it inversely relates with the competitive advantage of SMEs in Sokoto State. They should improve on the implementation and evaluation aspects of strategy management to enhance increased competitive advantage of SMEs in Sokoto State.

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