

# Competitive Strategy and Performance of Selected SMEs in Nigeria

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**Abstract—** The present business environment is characterized by high levels of competition, dynamism and technological sophistication. This is especially challenging to organizational managers since they have to design and implement strategies that can achieve and sustain higher performance levels. Consequently, the topic of competitive strategies plays a pivotal role as organizations aim at gaining industry leadership. This study set out to investigate the impact of competitive strategy on performance of Small and Medium Enterprises in Nigeria. Gaining insight from existing literature and theoretical models four hypotheses were developed and tested using regression analysis. Copies of well structured questionnaire were administered to 150 randomly selected SMEs in Ikeja and Surulere local government areas of Lagos State. The findings revealed that there is a relationship between product features and customer base; product customization and sales growth, value added products and revenue growth. It also indicated that better product quality has an influence on returns on investment. This research recommended that in order to be more competitive, organizational managers must be strategically aware of customer needs and offer unique products and services that satisfy such needs

**Keywords:** Firm Competition, Competitive Strategies, SMEs, Resource Based View, performance

## I. INTRODUCTION

Nigeria's business environment is situated in the midst of a challenging economic landscape and intense competition. Therefore, managers are increasingly seeking for strategic approaches to accomplish, improve and sustain organizational performance and competitive advantage. Design and implementation of Strategy must be perceived as important components in the firm's management process. This is because strategy gives the direction that business managers have in mind and which way they want to achieve their goals. Earlier research demonstrated that firms that set out a clear strategy, for example: a quality differentiation or a cost leadership strategy, will outperform those firms that engage a mixed strategy [1]. Amongst the many strategies implemented in firms, competitive strategy has been proven as an essential tool globally for any business to remain in the competitive market environment and gain superior performance [2]. Competitive strategy means consciously choosing to carry out activities differently or to perform different activities than competitors to convey a unique mix of value [3]. Therefore to

possess an edge over rivals firms employ innumerable competitive strategies, principally because each company's strategic style entails custom-designed actions to fit its own circumstances and industry environment [3].

As in most national economies Small and Medium Enterprises are an essential mechanism in achieving development and growth of Nigeria's economy. The 2012 Enterprise Baseline Survey revealed that there are 17, 284, 671 Small and Medium Scale Enterprises in Nigeria, employing 32,414,884 persons and contributing 46.54 per cent of the nation's Gross Domestic Product in nominal terms [4]. SMEs are considered the life blood of many economies and Nigeria is not left out. SMEs are very crucial in most economies including Nigeria in that they contribute a lot in terms of GDP and employment [5]. A business is defined as small in the manufacturing sector if it employs fewer than 100 employees [6]. Though there is no certified definition of what makes up a medium-sized enterprise, businesses with between 100 and 199 employees are generally considered medium-sized [7].

The SME sector of the economy cannot be overlooked because it plays a very important role in a nation's economy and this is true for both developed and developing countries. They also form a high proportion of business activities and engender more employment opportunities than the large corporations in recent years [8].

However due to globalization, competition amongst firms is on the rise and SMEs in Nigeria are struggling under this intense competitive environment both at the domestic and international terrain [2]. Despite the economic significance of Small and medium Enterprises in Nigeria, they have not played the expected vital and vibrant role in the economic growth and development of the country [2]. These challenges may result from perceived ineffective competitive strategy which is having a negative effect on performance in terms of customer base, sales growth, returns on investment and revenue.

Competitive advantage gives a firm an edge over its rivals and an ability to generate greater value for the firm and its stakeholders. Therefore to ensure survival in a highly competitive environment such as Nigeria, SMEs have to learn to weather the storms of competition and beat today's ferocious market forces and volatility by providing quality products, distinct product features and well packaged value adding products that satisfy customer need at affordable prices

with effective promotional strategy. Every firm possesses certain unique capabilities and competences that distinguish it from other firms and these features greatly influence its performance in the market and determine to what extent a firm survives the pressure from global market competition. However this cannot be achieved except the right competitive strategy is developed and implemented appropriately. Therefore, this research study aims at examining how competitive strategies, such as product quality, distinct product features and value adding capacity, influence the performance of SMEs in Nigeria.

## II. STATEMENT OF PROBLEM

Research has made it clear that there has been a fall in market growth occupied by various firms in Nigeria, due to inadequate utilization of their organizations' resources, lack of implementation of specific policies, strategies and actions designed to accomplish market growth in firms are not in place.

Study and explanation of business competitiveness is a recurrent theme studied by academics, consultants and practitioners. The internalization of economy, dynamic nature of the environment, greater competitive firms, the need for continuous innovation, product customization and growing use of ICT forces firms to face challenges of improving their competitiveness. These difficulties are greater for small and medium enterprises because their economy of scale and their resources are less than those of large firms. Research has documented that 70% of SMEs fail in their first three years of operations in Nigeria [9].

The highly competitive environment for small scale businesses in Nigeria has necessitated the need for SMEs to develop strategic means of survival. Thus it becomes imperative to find out whether generating new product features, will increase their scale of productivity and reflect also on their customer base. Ability of top management to properly analyze the market is one of the crucial aspects of marketing rules [34]. It is when a unique selling proposition is created with the aim of increasing the scale of product.

Lack of better product/service quality and delivery, inadequate product customization and poor personnel management has hindered sales volume of various SMEs and their performance. This is as a result of narrow outlook to issues regarding competitive strategy planning, formulation, implementation and evaluation, research and development on product quality and service delivery.

Furthermore there is an urgent need for small scale firms (SMEs) to gear effort towards increasing profitability because of the severe competition they face from multinational companies in the market and the need to meet consumer's requirement for quality, quantity and price. In order to achieve this entrepreneur must put in place adequate competitive strategy that would be responsive to customer satisfaction, revenue growth and increased returns on investment [10].

Despite the fact that the products produced by small and medium enterprises are cheaper, relevant available statistics data shows marginal improvement in this area. Base on this

reasons this research is been carried out to identify competitive strategies that can improve the performance of small scale enterprises in Nigeria.

Consequently, the following research hypotheses were formulated in line with the research problem:

H<sub>1</sub>: Product features do not have an impact on customer base.

H<sub>2</sub>: Product customization cannot increase sales growth.

H<sub>3</sub>: Better product quality does not influence returns on investment.

H<sub>4</sub>: There is no relationship between value added and revenue growth.

## III. LITERATURE REVIEW

### A. The Concept of Competitive Strategy

Competitive strategy refers to game plan adopted by management for competing successfully in their chosen market [3]. It involves the analysis of the market and its environment, consumer purchase behavior, competitive activities, needs and competencies of market intermediaries [35]. Firm's engage competitive strategies as tools for achieving or improving competitive advantage and superior performance in their industry landscape. Thus, the objective of competitive strategy is to devise innovative means of gaining market and industry dominance by satisfying buyers' need and preferences and responding to the sensitive requirements of stakeholders [12].

Porter developed the theory of generic competitive strategies which, over the years, has remained unquestionably among the most significant and influential contributions in the field of strategy and organizational research. The theory can be recognized as the dominant paradigm of competitive strategy [11]. As stipulated by Porter competitive strategy is defined as a firm's attempt for favorable competitive position in its industry. Porter's positioning school of thought has been a dominant one in the strategic field. The name positioning school originated from Porter's central idea that an organization should aim at attaining 'competitiveness through positioning' and enhance financial performance. It provides a firm with activities to generate offensive and defensive positions in an industry and thereby produce a superior return on investment. Accordingly, firms need to adopt a competitive strategy to secure a competitive advantage. Competitive strategy is the capability of the firm to do its activity in a way or distinct ways other competitors cannot realize [13]. A firm is able to achieve sustainable competitive strategy when it implements the strategy of value creation that is not implemented by opponents in the industry [14]. In other words competitive advantage is the objective of competitive strategy [3].

### B. A Brief Review of SMEs' Operations and Challenges in Nigeria

Small and Medium Enterprises play crucial roles in the development process in most of the developed and developing countries. Many nations have realized the value of small businesses. They are characterized by dynamism, witty

innovations, efficiency, and their small size allows for faster decision making process.

Over the years there have been controversies in literature concerning appropriate definitions of SMES. Nigeria is still struggling to get a unified definition out of the several inconsistent and ambiguous definition proffered by several industries and agencies such as the 1992 review by the National Council on Industrial Standards that defined small and medium scale enterprises (SMEs) as enterprises with total cost (including working capital but excluding cost of land) above N31m but not exceeding N3, 150m, with a labor size of between 11 and 100 employees. The Federal Ministry of Industries defines a medium scale enterprise as any company with operating assets less than 200 million, and employing less than 300 persons. A small-scale enterprise, on the other hand, is one that has total assets less than 50 million, with less than 100 employees. The National Economic Reconstruction Fund (NERFUND) defines a SSE as one whose total assets is less than 10 million, but made no reference either to its annual turnover or the number of employees.

SMEs are known to be very vital to the development of every economy; though small in size they have contributed greatly to the enhancement of major economies of the world [44]. They are considered the back bones of the Nigerian economy due to their multiple contributions. The 2012 Enterprise Baseline Survey reveals that SMEs in Nigeria employ over 32,414,884 people indigenes of the nation. Employment generation capacity of about 58% of global working population. SMEs constitute major avenues for income generation and participation in economic activities in the lower income and rural brackets of developing societies especially in agriculture, trading and services. SMEs contribute up to 46.7% of national GDP in nominal terms [4]. They also offer veritable outlets for technological advancement especially in businesses with rudimentary technology requirements.

In fact, SMEs are generally regarded as the driving force of economic growth and development, thus in order to aid and sustain SMEs, the Federal Government has put in place some facilities such as The Establishment of the Small Scale Industries Credit Scheme (SSIC) – In 1971, the then Federal Military Administration started to provide a more direct form of financial assistance to SMEs. As a first step, government established a Small Industries Development Program to provide technical and financial support for the SMEs. Later, Small Industries Credit Committee (SICC) was established to administer Small Industries Credit Fund (SICF) all over the federation. The establishment Of Industrial Development Centre (IDC) was another important effort of the Federal Government to promote SMEs under the second national development plan (1970 – 1975). Under the plan, N800,000.00 was allocated for setting up IDCs in various parts of the country.

Despite these new initiatives and repeated attempts by both the government and the private sectors to promote the activities of SMEs in Nigeria, research still documents that 70% of SMEs fail in their first three years of operation in

Nigeria [9]. SMEs in Nigeria continue to face numerous problems such as, unstable macro-economic environment. This results in costly operating environment due to high inflation and high import dependency, high debt burden on the Nation, lack of access to technology and best of breed business solutions, business services, consulting and training. Government bureaucracy, which increases SMEs operating costs ,such as unfriendly judicial process, regulatory and business environment. Lack of managerial facilities and enterprise support services such as limited capacity to business associations, for example Chambers of Commerce. Lack of short and long-term capital.

### *C. SMEs Engagement of Competitive Strategies*

Performance is a crucial concept in management research. Managers are judged based on their firm's performance. Good performance influences the firms' continuation. Firm success is manifested in attaining competitive position or series of competitive positions ensures superior and sustainable financial performance [15]. Indeed achieving superior performance requires that firms adopt strategic postures that will aggressively give them a firm hold of their market. Therefore, top management must focus on organizing their businesses to be customer oriented and proactive to industry competition [34].

Competitive strategies represents the firms' strategic choice and orientations about how to compete for improved performance [38]. There are pointers to the fact that careful selection of appropriate strategies reflect managerial skillfulness, entrepreneurial capacity and likelihood of long-term firm survival [39]. Across geographical boundaries and industrial sectors, competitive strategies have been found to have significant impacts on performance [40]. A study carried out in Kenya's health sector found cost leadership, product and market development, market focus and differentiation strategies significant result in higher performance levels [42]. According to Vlachvei, Notta and Demiri [43] examined the effect of competitive strategies on growth and profitability of the Greek Fur industry. their research reflected that larger firms perform better than smaller firms, especially in terms of growth of sales. However, smaller firms seemed to out perform larger firms in the area of profitability. This trend could reflect the importance of innovative processes and the inclusion of customer relationships in business activities; smaller firms are more prone to have competitive advantages in this regard. The literature on strategy defines three necessary consistent set to explain firm success [15]. First the firm must develop and implement a consistent set of internal goals and functional policies that jointly defines its position in the industry. The second requirement for success is that this internally consistent set goals and policies align the firm's strength and weakness with the opportunities and threats in the external environment. Finally the firm's strategy must be centrally concerned with the creation and exploitation of its so called distinctive competences. These are unique strengths that set the foundation for a competitive success.

It is expected the present research will be reflective of the adoption of competitive orientations by Nigeria SMEs and reflect the strategic patterns with which firms in this industry engage competitively for superior performance levels.

IV. THEORETICAL FRAMEWORK

A. Resource Base View (RBV)

The resource based view (RBV) is a management tool used to evaluate the resources available in the firm. In essence, the resource-based view is based on the idea that the effective and efficient application of all useful resources that the organization can gather helps determines its competitive advantage. It seeks to explain the internal sources of a firm's sustained competitive advantage. Its innermost proposition is that if a firm is to attain a state of sustainable competitive advantage it must obtain and control valuable, rare, inimitable, and non- substitutable (VRIN) resource and capabilities, plus have the firms in the place that can absorb and apply them [14]. The resource base view as a foundation for the competitive advantage of a firm is rooted primarily in the application of a bunch of valuable tangible or intangible resources at the organization's disposal [17]. Wernerfelt in his 1984 paper titled "A resource based view of the firm" argued that the success of a firm in its product market was a result of its advantages in the factor market (or resources) [12] gave a practical approach to the resource-based view, by calling them the 'core competence of the corporation'. They also clarified that to add value to the firm, resources must be inimitable. Barney identified four characteristics of resources that would be required to generate sustainable competitive advantage to firms – resources must be valuable, rare, inimitable and non-substitutable (VRIN) [14].

Company's strategy is a vital part of the firm's organizational system that will play a crucial role in improving the business performance. The production of goods and services as well as wealth creation is dependent on the resources available to the organization especially the intangible assets [19]. Intangible asset and effective management are sources of competitive advantage. This has pushed most firms to improve the performance of its non-monetary assets because the strategy influences the overall performance of the company significantly [45]. It's been argued by experts that intangible resources are more able to generate sustainable competitive advantage [20]. Intangible resources are strategic assets to achieve SCA (sustainable competitive advantage) because it meets the criteria of Valuable, Rare, Imperfectly Imitable, non-substitutable (VRIN), [14]. The substance of thought is that competitive advantage can only be attained by implementing the right competitive strategy. Intangible assets that generally mediated selection strategy to attain the SMEs performance are based on the following views. Intangible assets use theory of Resource Based Value (RBV). The assumption is that every firm is an aggregate of unique resources and capabilities that become the basis to determine the strategy and the principal source of business in generating returns [21]. [17] and [14] postulates that firms obtain competitive advantage by

leveraging the unique resources and strategies. Financial performance is influence by intangible assets, resource qualification and also mediated by right selection of competitive strategy. Integration of intangible resources, competitive strategy and company performance become one solution in globalization phenomenon, specifically in SMEs sector.

B. Porter's Generic Strategy

Porter's generic strategies define how a firm pursues Competitive advantage across its chosen market place. He explains that a firm must either decide to attempt gaining a competitive advantage by producing at a lower cost than its rivals or differentiate its products and services or sell them at a premium price. Basically, strategy is about two things: deciding where you want your business to go, and deciding how to get there. A more absolute definition is based on competitive advantage, the purpose of most corporate strategy. According to [16] Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation. An organization's relative position in an industry is given by its choice of competitive advantage (cost leadership vs differentiation) and it's a choice of competitive scope. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment. Generic strategies are useful because they characterize strategic positions at simplest and broadest level. Porter also indicated that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. There are different risks inherent in each generic strategy, but being "all things to all people" is a sure recipe for mediocrity- getting "stuck in the middle"

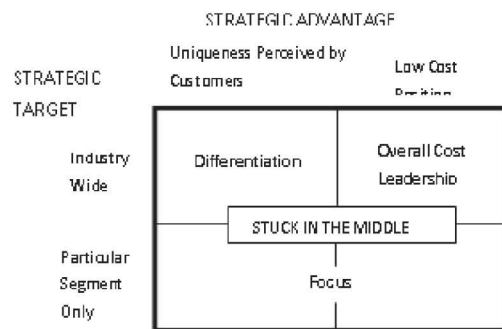


Fig. 1. Porter's (1985) Generic Strategy Model, Source: [16]

C. Innovation Theory

Innovation can be said to be the application of novel ideas to products, processes, or other parts of the activities of an organization that cumulates to an increment in "value." This value is described in a wider way to include higher value

added for the company and benefits to consumers or other firms.

Two important definitions were identified by Schumpeter. Product innovation: the introduction on a new product or adding extra value to an existing product. Process Innovation: the introduction of a new process for producing or delivering goods and services.

Schumpeter argued that innovation and technological change of a country originates from its entrepreneurs, or wild spirit. He developed the term *Unternehmergeist*, in German which means "entrepreneur-spirit", and asserted that "the doing of new things or the things that are already being done in a new way" stemmed directly from the efforts of entrepreneurs. SME owners are basically considered as entrepreneurs. The acknowledgement that SMEs play a vital role in innovation has led to a number of insights about the mechanisms by which SMEs improve and introduce new products and services. SMEs can have an innovative advantage as a result in different management structures [27]. The bureaucracy in big firms is not conducive to engage in risky R & D, as decisions must survive several organizational layers of resistance, where an aversion to risk results in a bias against undertaking new projects [33]. In SMEs, decision making process is not rigid nor follows a strict hierarchy; decision to innovate is made by a small number of people. Innovation activity also succeeds in environments free from bureaucratic constraints [27]. Several SMEs have benefited from the exodus of researchers thwarted by the managerial constraints of larger firms.

Finally, larger firm also tend to promote successful researchers to management positions, while SMEs can lace innovative activity at the center of their competitive strategy [33].

## V. RESEARCH METHODS

The population of this study was the top managers of small and medium firms in Lagos, precisely in 50 randomly selected SMEs in Ikeja and Surulere areas of Lagos State, Nigeria. A database on small and medium firms held by the Nigerian National MSME collaboration survey of 2012 provided the population of 4535 SMEs in Lagos. A sample size of between 100 and 200 is considered appropriate given a research involving a fairly large population [28]. Consequently, a sample size of 150 was used for this research work.

150 questionnaires were distributed to randomly selected SMEs in the study locations; and 135 were returned to the researcher, which gives an effective response rate of 90%. The Cronbach's alpha reliability revealed a suitable result of 0.862 which is above the expected value of 0.7 [30]. The process of distributing the questionnaire was a drop-off approach [32]. Due to the logic of this method the researchers, within a space of two weeks, hand-delivered the questionnaires to the respondents, explained to them the purpose of the study, stated the required procedures in filling the questionnaire and answered questions regarding the questionnaire statement.

The research is concerned with only SMEs in Lagos precisely Ikeja and Surulere. These two localities were

chosen based on their high level of commercial activities. Ikeja, apart from being the capital of Lagos state, is one of the most popular locations in the state with a population that is quit hard to estimate because of its dual economic state as a commercial town and residential town. This local government is been considered as the heart of Lagos. Nevertheless Surulere is not left out of the business life of Lagos. This local government has been considered the home of many small businesses especially those in the service sector.

Additional focus is provided to this research by considering only registered SMEs due to the fact that this research is concerned with SME strategy and performance and it is more likely that these will be evident in businesses that are legally organized as proprietary companies [29].

Two constructs were measured in this study and these are: competitive strategy and performance. Competitive strategy was measured by product features, customization, added value and product quality. On the other hand performance was measured by sales growth/volume, growth in returns on investment, growth in customer base and growth in revenue.

The questionnaire was made up of six sections A,B,C,D,E,F. section A contained six main questions that reveals the demographical characteristics of the respondents. Section B contained ten questions measuring the impact of product features on customer base. Section C also contained ten questions measuring the effect of product customization on sales growth/volume. Section D also had tens questions measuring the impact of better quality products on returns on investment, while section E focused on questions measuring the relationship between added value and revenue growth. The responses for section B-E were made using a 5point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree). Section F contained to opened- ended questions

## VI. DATA ANALYSIS AND RESULTS

TABLE I. REPRESENTATIVE OF THE DEMOGRAPHICAL CHARACTERISTICS OF RESPONDENTS AND THEIR FIRMS

Items	frequency	Percent
<i>Gender</i>		
Male	70	51.9
Female	65	48.1
<b>Total</b>	135	100%
<i>Age bracket</i>		
20 years	29	21.5
21-31 years	79	58.5
31-40years	23	17.0
41 and above	4	3.0
<b>Total</b>	135	100%
<i>Marital status</i>		
Single	89	65.9
Married	38	28.1
Divorced	4	3.0
Widow	3	2.2
Others	1	0.7
<b>Total</b>	135	100%

<i>Educational Qualification</i>		
WAECO/OLEVEL	29	21.5
OND/HCE	17	12.6
BSC/HND	61	45.2
M.sc/MBA	21	15.6
PHD	4	3.0
Other	3	2.2
<b>Total</b>	135	100%
<i>Designation</i>		
Supervisor	33	24.4
Manager	42	31.1
Managing director	38	28.1
Other	22	16.3
<b>Total</b>	135	100%
<i>Specialization</i>		
Retailers	46	34.1
Wholesalers	45	33.3
Manufacturer	25	18.5
Others	19	14.1
<b>Total</b>	135	100%

Source: field survey, 2015

Descriptive information of the sample as showed in table 1 reveals that SMEs in Lagos are largely dominated by the male gender making (70)51,9% of the total respondents. It also showed that majority of the respondent fall within the youthful age of 21-30years. Most respondent were single (89) 65.9% of total respondents. They were mostly learned giving that most of them had a BSC/HND. The table reveals that majority were managers (42) 28.0% of the total respondents. Finally the table 1 above reveals that most respondent were specialised in the retailing sector of the state.

All hypotheses were strongly supported. For hypothesis H1, the result indicated that product features have a significant positive impact on customer base ( $\beta=0.560, t = 6.431, p \leq 0.01$ ). Product customization also had a significant positive effect on sales growth (H2:  $\beta=0.343 t = 5.407, p \leq 0.01$ ) as hypothesised in H2. For hypothesis H3, the result indicated that better quality product has a significant positive effect on returns on investment ( $\beta=0.546 t = 6.322, p \leq 0.01$ ). For H1-H3 the linear regression was used to test the significance. On the other hand the correlation was used to test for H4. This showed that there exist a significant positive relationship between added value and revenue growth ( $r = 0.562, P < 0.001, n = 135$ ).

## VII. DISCUSSION

This study examined the impact of competitive strategy on SMEs' performance in Lagos. Competitive strategies adopted for this study include product features, product customization, quality products and added value. The study showed that product features, customization, better quality products, and added value are highly adopted by the sampled SMEs to enhance their customer base, sales growth, returns on investment and revenue growth. The findings support Porters

argument that for a firm to achieve competitive advantage it must offer something different from its rivals. For SMEs to remain competitive in their chosen market there is the need for their product/service offerings to satisfy customer's unique taste. This implies that top management must be conscious of specific demands of their customers and remain sensitive to their taste and preferences. Customers perceive value in products that satisfy them [46]. Thus management should ensure that from design to distributions products are value adding to customers. Better quality product and services also reflect valuable means of organizational financial performance. Evidences from this research are that SMEs get better value for their investment when quality remains uncompromised. Therefore management support for product/service quality must be ensured and enforced in all aspects of the firm's work processes. Employees should also be encouraged and enlightened about quality with regards to customer relationships. Indeed, customers understand when employees are committed to serving them right and very often customer trust is built when quality relationships are ensured [47]. Product customization are means used by SMEs to differentiate their products from rivals and by providing more value for the customers' money they achieve a competitive position in the market. The outcome of this research indicate that customizing products in line with customers' taste, colour preferences, and even social status enhance organizational worth.

## VIII. CONCLUSION

Research has revealed that in a dense competitive business environment such as Nigeria survival is the top most priority of firms. This has not been an easy task for most SMEs in Nigeria due to high level of competition from larger firms, lack of government support and even adequate funds to run their operations. For this reason it is necessary for SMEs to formulate adequate strategies as they give direction to what the business has in mind and also helps identify ways through which they can achieve their goals. To ensure survival SMEs must compete and to do so competitive strategies such as porter's generic strategies, resource base strategy and others as viewed in theoretical framework are required. Development of these strategies would enable SMEs consciously carry out their activities differently or to perform different activities than competitors to convey a unique mix of value [31].

They must bear in mind that they are within a highly competitive business environment and must adopt efficient and effective competitive marketing strategies in order to constantly have an edge over competitors as well as expand it all ramification.

## IX. SUGGESTION FOR FURTHER STUDY

This research was carried out to evaluate the impact of competitive strategy on the performance of SMEs in Nigeria with a limited focus of Ikeja and Surulere local governments of Lagos state. By implication, generalized conclusions cannot be drawn. However, studies that extend attention to more local governments in Lagos, or by extension across states in Nigeria

will give more generalized conclusions. Also, we suggest that future research in this area can be carried out on the comparative performance of SMEs in relation to their strategy implementation.

#### X. RECOMMENDATION

Based on the findings the following recommendations as how SMEs can become more competitive and make a difference in the industry were developed.

SMEs should seek to be more creative and innovative when it comes to product designs and ensure customer satisfaction through effect delivery of services to customer and adequate response to their needs.

Product differentiation is a great strategy for SMEs that seek to be distinguished from others. To achieve this SMEs should try and customize their product or in other words produce product with different designs and multi features so as to be able to meet each consumers' need. They should also carry out marketing research, so as to be able to identify their customers' need and properly satisfy these needs. This would enable them segment the market and use either niche or cluster strategy to meet customers' requirements. E-business has been on the increase, it provides a less expensive medium for SMEs to reach their customers and even market their products to a larger market than before. Thus SMEs are advised to embrace the online-platform to boost their performance.

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