

# Examining the Influence of Strategic Management Practices on Small Scale Firms Performances in Niger Delta Region

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**Abstract:** This paper investigated the influence of strategic management practices on small scale firm's performances in Niger delta region. Using a descriptive design, a well structured questionnaire was adopted to obtain data from 1200 small scale firm manager within the nine states which constituted the region. Statistical package for social sciences (SPSS) version 23.0 was utilized for data analysis. Findings from the study disclosed that strategic management practices have a significant effect on small scale firms' performances in the Niger delta region. Furthermore, the findings revealed that the effectiveness, survival, competitiveness, innovativeness, profitability etc of small scale firms, depends on how strategically a firm plan is drafted and implemented. The study concludes that strategic management is vital in ensuring the survival and sustainability of small scale firms in the Niger delta region given the significant relationship it has on performance. Base on that, it was recommended among others that Small scale firms owners should study their firms and plan strategically for potential areas of competitive advantage to the firm.

**Keywords:** strategic management, strategic planning, strategic customer relation, performance

## I. INTRODUCTION

Generally there has been a rapid change in the business environment due to the rate of globalization, changes in customers and suppliers demand pattern and high level of competition in the market. Organizations in this 21<sup>st</sup> century recently have continually seek for ways to match-up with this challenges by constantly seeking for measures to increase their performances via cost reduction, product innovation, process innovation and the practice of quality management . Strategic management is an enduring process that entails the evaluation and controls of an enterprise and the industries in which the firm is involved, an assessment of its competitors and goals and strategies to meet all existing and potential competitors, and a total re-evaluation of each of the strategy on interval bases to see how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changes in the environment such as new technology, new competitors, a new economic environment, or a new social, financial or political environment" (Lamb, 1984).

According to Raduan et al. (2009), noted that the objective of every enterprise is to gain competitive advantage in the market and increase their performances with relative to their competitors. This suggests that the essence of strategy is to determine the basic objectives of a firm and allocating resources to their success. Strategy specifies the necessary direction that an organization needs to move to meet its mission.

Bianca (2017) noted that Strategic management involves the management team directing employee activities towards the achievement of specific goals and implementation plans. Strategies are vital to the organization as it aid in positioning the firm to face a complex and uncertain future. Organizations can use strategies to focus attention and effort on real priorities, provide a consistent framework to guide decisions and actions, and give an organization a new or transformed sense of purpose (Nutt & Backoff, 1992)

Over the years, strategic management concept has had several meanings by different scholars in management literatures. However, a cursory observation discloses a significant agreement on the essential activities involved in it. Stonehouse et al., (2004) saw strategic management as a set of theories and frameworks through which managers can envision and plan for the long term future of the organization as a whole. This involves several interlinking activities such as strategic thinking, strategic learning, strategic planning, and strategy implementation, review and adaptation.

Scholars believe that the essence of strategic management is to aid managers in achieving sustainable competitive advantage in their organization. However, this position has also been advanced by Porter (1981). Thus, notably, strategic management is a necessary need to the development and expansion of all organizations, as it ensures that organizational mission and vision are in line with its operations.

Strategic management is seen as an art and science which involves the formulating, implementing, and evaluating cross-functional decisions which facilitates organizations achievement of stated objectives. Certo and Peter, (2001)

posited that this processes is in three phases which are the formulation phase implementation, and evaluation and monitoring. The formulation phase takes into consideration the changing business environment and ensure that the firm is prepared to withstand changing circumstances while at the same time ensuring that a strategic plan will enable an organization to evaluate through the assets in their possession , allocate an appropriate budget and devise the most effective plan to maximize return on investment (Thompson & Martin, 2010).

While it is important for small business firms to have a comprehensive knowledge of the reason for the formation of their business, placing feasible and attainable strategic plans to improve their business performances is necessary (Griffin2006). This is because it has been noted in several studies that strategy is a source of sustainable competitive advantage for business enterprises and those organizations who adopted various strategic management practices are guaranteed their fitness within the constraints and limitations of their environment. This is because this practice, as noted in Kraja & Osmani (2013), is often perceived to be important and is widely used by large corporations. Several studies have confirmed that for every business concern, either large or small, to survive, succeed, sustain and attain a competitive advantage over its competitors , it has to be strategic in their daily operations. Nevertheless, as noted (Makanga & Paul, 2017), the quality and strength of an organizational competitive advantage, as suggested by the resource-based theory, is as a function of the relationship between how effective internal resources of an organization are utilized, not necessarily their position in the external environment .

Strategic management over the years has been associated with many management and organizational theories. For instance, profit-maximizing and competition theory describe how firms are based on profit-oriented activities. Organizations capabilities and abilities to adjust and adapt to environmental changes with their strategies is demonstrated in survival-based theory, which some researchers have likened it to contingency theory. For the meantime, resource-based theory (RBV) proposes and views strategic management as a vital internal resource in gaining competitive advantage and attaining organization performance (Barney & Clark, 2007).

Meanwhile, contingency theory has been associated with performance as it provides support that explains the influence of self-determining elements on organization performance. The theory outlined the role of appropriate strategy as the solution for organizational issues. According to the contingency theory, there is no best approach to unravel organization performance, but it depends on a fit between organization and its situation and environment (Zeithaml et al., 1988).

In Nigeria, Niger delta region specifically which consist of the states in the south-south region of the country has historically been seen as a very significant and strategic country area.

Academics and researchers in anthropologists claim that the Niger delta area is essentially made up of heterogeneous people, whose business activities ranges from fish farming , agricultural goods production , trading etc. and predominantly speak different languages , have different culture and religion . Not until recent that most citizens started conducting a contemporary and formal business operation. As a result of the prolonged period of both social, economic and political conflict in the area, small business operations are still finding it difficult to strategically position their selves to the emerging and competitive business environment. However, the current administration is making efforts to rebuild and revitalize the business system in such areas through its agencies.

#### *Statement of problem*

Small scale businesses in Nigeria especially in the Niger delta region are one of the sectors that have received significant attention in recent times in terms of their performances. Records from some agencies such as Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), manufacturing association of Nigeria (MAN) and Nigerian Association of Commerce, Industry, Mine and Agriculture (NACCIMA) indicated recently that the performances of small scale business has been very low in comparism to other region in the country. The low performances which have grown in numbers have also led to destabilization and closure of many promising enterprises. However, most large organizations who are key players in their industry have been purported implementing strategic management in their quest to survive competition and grow significantly. A cursory observation shows some sterling performance by some of these firms especially in the banking sector in Nigeria.

Regrettably, unlike the large firms, small scale firms within the Niger delta region; much of their performances have been touted as unsatisfactory by some small scale regulatory agencies such as mentioned above , there are indications that some are not living up to expectations in terms of innovation, customer service, profitability and socially responsible. In the last decade, majority of small scale businesses have either closed down or scaled down their operations considerably.

While strategy may easily be identified as the crucial factor responsible for their low performances, there is not enough study to support any such affirmation. (Ahmed & Mukhongo, 2017; Eniola & Ektebang, 2014), however, noted that most small scale firms attributed their failure to lack of resources. From the contingency theories perspective organizations need to develop managerial strategy based on the situations and conditions they are experiencing.

Past studies also on Small and Medium-Sized Enterprises (SMEs) according to (Majama & Magang, 2017,Eniola & Ektebang, 2014; Kraja & Osmani, 2013), has paid little attention to the strategy-making processes of these firms and concentrated more on their low performance and high failure rate which is often attributed to lack of resources such as

funds, land and skilled labor .This study aims to fill the above gap by providing empirical evidence on the relationship between strategic management and organizational performances among small scale firms in the Niger delta region

#### *Objectives of the study*

The objective of this study includes:

- I. To determine the effect of non-implementation of strategic management practices on small scale firms performances in Niger delta
- II. To investigate the impact of strategic planning on small scale firms performances in Niger delta
- III. To examine the impact of strategic customer relation management on small scale firms performances in Niger delta

#### *Hypothesis of the study*

The following are the hypotheses of the study

- I. Strategic management practices have no significant effect on non-implementation of strategic management on small scale firms performances in Niger delta .
- II. There is no significant relationship between strategic planning on small scale firms' performances in Niger delta.
- III. There is no significant relationship between strategic customer relation management on small scale firms performances in Niger delta.

## II. LITERATURE REVIEW

### *Concept of Strategic Management*

Strategic management have been conceptualized to connote the process of identifying an organization's objectives, formulating policies and plans to enable organization achieve and attain these objectives, allocate resources so as to implement the policies and plans (David, 2005). Also(Adeleke, 2008) have suggested that it can be viewed as the process of observing both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments .

Hunger and Wheelen (2003) viewed strategic management as a set of managerial decisions and actions that govern the performance of organization in the long run. Thus it involves strategy formulation, implementation, and strategy evaluation and control. In the same vain it could also be looked at as the art and science of formulating, implementing, and evaluating cross-functional decisions that facilitates the achievement of organizational goals and objectives

### *Strategic planning*

Andersen & Nielsen, (2009) noted that the aim of Strategic planning is to help in realization of an organization's goals,

discover its competitive context, analyze its strategic alternatives, coordinate its activities, and thus formulate the policies that will guide managerial decisions .According to (Swayne, Duncan, & Ginter, 2006),It involves intermittent process of evolving a set of steps for an organization to accomplish its mission and vision using strategic thinking. The outcome of the strategic planning process to the organization is that it presents it with a plan or strategy. Strategic planning enables an organization to determine its strategic direction (Porter M. , 1996), identify relevant opportunities and effectively seize them (Hough & White, 2003), and anticipate change and create strategic options to deal with change (Rudd, et al 2008). A comprehensive strategic planning process is an essential tool for improving performance.

### *Strategic customer relation management*

Anderson, et al (2003). noted that for management to improve productivity and performance, a high quality services is required .It is necessary to practice a good customer relation management as this increases the organizational market share and increases financial performances . Customer relationship management allows an organization to operate in competitive environment and manage to overtake competitor efforts with its customer centric approach.

The practice allows firms to understand customer attitudes and set customized approaches in the business activities. It has been recognized as one of effective management tools globally gaining importance. Its position as the customer centric strategy is slowly gaining ground. Notwithstanding, the huge costs involved, companies this days prefer to select it due to how important and advantageous to Customer relation management

In addition to that, Ang and Buttle (2006) stated that Customer relation management involves creating the process that encourages longer and more beneficial customer relationship. Creating this involves a better knowledge of Customer relation management .This includes a critical analysis of a customer's profile and every interaction with that customer will provide predictive information on his or her behavior and how he or she prefers to be treated. The aim of Customer relation management functions is to boost performance measures such as profitability, revenue, and customer satisfaction.

## III. METHODOLOGY

The study was carried out in the Niger delta region which is made up of nine states (Cross River, Bayelsa, Imo, Edo, Rivers, Delta, Akwa-ibom and Ondo State) with the use descriptive survey research design and a well structured questionnaire to obtain data from 1440small scale business managers.

However, due to unavailability of large population of small business firm managers due to the 2020 Covid-19 pandemic, a convenient sampling technique was used to select a sample of

160 small scale business manager each from the nine state in the region. A total of 1440 small scale business managers. However, only 1200 respondents were found useful for further analysis which also constituted the sample size of the study. The questionnaire was structured in five (5) sections (Section A – E). Section A compose the demographical variables of the respondents, Section B contains five (5) vital questions on firm performance, Section C contains relevant questions on strategic management, Section D contains relevant questions on strategic customers relation management , E contains relevant questions on strategic planning .Data was analyzed with the help of SPSS 23.0. Descriptive analysis was adopted to analyze the demographic features of the respondents whereas simple regression and Pearson Moment Coefficient Correlation and was likewise adopted to test hypotheses of the study.

#### IV. DATA ANALYSIS AND INTERPRETATION

##### Statistical Test of Hypothesis

The three hypothesis in this study was tested at 95% confidence level (or 5% level of significance) and the probability value (PV). The decision rule is that, if the PV is less than 0.05, we reject the null hypothesis and accept the alternate.

*Hypothesis one:* Strategic management practices have no significant effect non-implementation of strategic management on small scale firms’ performances in Niger delta.

Model		Coefficients				t	Sig.
		Un-standardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta			
1	(Constant)	3.256	.482		6.749	.000	
	Strategic management practices	.672	.051	.697	13.172	.000	

a. Dependent Variable: Small scale firm performance. b. Independent Variable: (Constant) Strategic management practices

R = 0.697; R<sup>2</sup> = 0.485; Adjusted R<sup>2</sup> = 0.483; Sig = 0.000; F Stat = 173.491

The table above (Table1) shows an illustration of the results of the regression analysis. The analysis reviewed that there strategic management practices have a significant effect on small scale firms performances in the Niger delta region; (R = 0.697; R<sup>2</sup> = 0.485; Adjusted R<sup>2</sup> = 0.4832; Sig = 0.000). These indicate that of the disparity in firms performance within this region, in terms of profitability, innovation, market share ,survival etc the practices of strategic management account for 48.5% of it .Thus, managerial implication of this , will be to adopt the strategic management practices and ensure that firms constantly re-evaluate their strategy to accommodate the changes in the environment Also, the F-values statistics (173.491) shows that the overall equation is significant at (Sig. level=0.000; P< 0.05). Therefore, the null hypothesis

(H<sub>0</sub>) which holds that Strategic management practices have no significant effect non-implementation of strategic management on small scale firms performances in Niger delta will be rejected.

*Hypothesis two:* There is no significant relationship between strategic planning on small scale firms’ performances in Niger delta.

		Strategic Planing	Small Scale Firm Performance
Strategic Planing	Pearson Correlation	1	.350**
	Sig. (2-tailed)		.000
	N	1200	1200
Small Scale Firm Performance	Pearson Correlation	.350**	1
	Sig. (2-tailed)	.000	
	N	1200	1200

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Pearson correlation Value of hypothesis is 0.350 (35%) as revealed in (Table 2). This shows that there is a moderate and positive relationship between the variables with r value of 0.350(35%) with significant level of 0.000 which is greater than 0.05 (5%).Hence, it is therefore, concluded that there is a significant relationship between strategic planning and small scale firms performances in Niger delta.

Therefore, the decision would be to accept the null hypothesis (H<sub>0</sub>). This suggest that the effectiveness, survival, competitiveness innovativeness, profitability etc of small scale businesses, depends on how strategically a firm plan .Furthermore, it also means that firms who strategically plan and accommodate both internal and external factors in their environment have high possibility of achieving its goal and objective in their organization as strategic planning contributes up to 35% of firms performance. This is in consistent with the work of Casey and Goldman (2010)who noted that organizational participation in strategic planning processes and taking part in developing strategic plans enhances strategic thinking and firm performances .

*Hypothesis three:* There is no significant relationship between strategic customer relation management on small scale firms’ performances in Niger delta

		Strategic Customer Relation Management	Small Scale Firm Performance
Strategic Customer Relation Management	Pearson Correlation	1	.471**
	Sig. (2-tailed)		.000
	N	1200	1200
Small Scale Firm Performance	Pearson Correlation	.471**	1
	Sig. (2-tailed)	.000	
	N	1200	1200



The Pearson correlation Value shows 0.471 (47.1%). It shows that there is a moderate and positive relationship between the dependent and independent variables with r value of 0.471(47.1%) with significant level of 0.000 which is greater than 0.05 (5%). It is therefore, concluded that there is a significant relationship between strategic customer relation management and small scale firms performances in Niger delta

Therefore, the decision would be to reject the null hypothesis ( $H_0$ ) and accept the alternate. This suggests that the effectiveness of small scale firms within this region is as a function of how strategically customer relations are being managed. A cordial relationship and understanding of customers' behavior will go a long way in increasing customer's loyalty, expand market share, promoting, retaining and partnering with customers which will thus increase organizational performance. This is in consistent with the work of Doyle and Roth (2001) who was of the view that Customer Relationship Management as a strategy will allow firms to acquire, retain, and partner with selective customers to create superior value for the company as well as the customers .

## V. CONCLUSIONS

The study which set to examine the influences of strategic management on small scale firms performances. Drawing from the analysis above it is therefore, concluded that strategic management is vital in ensuring the survival and sustainability of small scale firms in the Niger delta region. The study also concludes that the major setback of firms in this region is managers inability to forecast and plan strategically without limiting the strategic planning to a specific area but accommodating every sensitive area which is of strategic importance to the firm. Furthermore, small scale firms within this region will be able to withstand the competition in their environment and improve significantly in their performances through implementation of strategic customer relation management.

## VI. RECOMMENDATIONS

It is therefore recommended that:

- I. Small scale firms owners should study their firms and plan strategically for potential areas of competitive advantage to the firm
- II. Governmental and non-governmental bodies responsible for registration of small scale firms in the region should ensure a course and awareness for the importance of adoption of strategic management is carried out. This will equip managers on the necessary skill of managing 21st century firms.
- III. For small scale firms in this region to increase corporate performance, market share, customer loyalty and profitability, a customer relation management needs to be adopted and practiced. This

will not only give an edge , make them to be competitive but also will significantly increase performances as it avail the opportunity for them to have a closer relationship with their stakeholders.

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