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## **INFLUENCE OF COMPETITIVE STRATEGIES ON CORPORATE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: A CASE FROM NIGERIA**

**Purpose.** *The objectives of the study were to identify whether adoption of cost leadership strategy assist in reducing the cost operation of small and medium enterprises and also to determine the effect of differentiation strategy on the sales turnover of SMEs, Series of questions were asked using the questionnaire adopted by the researcher.*

**Methodology / approach.** *Two hypotheses were proposed and tested in the study. Samples of 125 were drawn. The data were analyzed using simple frequency tables and regression analysis. However, for the purpose of this study the Statistical Package for Social Sciences (SPSS) was employed. To ensure the accuracy of the study this research used the Yamane formula in determining sample size. The coefficient alpha (Cronbach's alpha) was used to test the reliability of the measurement scale.*

**Results.** *The study critically examined the influence Competitive Strategies on Corporate Performance of Small and Medium Enterprises. The research found out that cost leadership strategy has significant effect on cost reduction of small and medium enterprises indicating that when firms are adopt good cost leadership strategy, they tend to reduce their cost of operations.*

**Originality / scientific novelty.** *The results of regression analysis revealed that adoption of competitive strategies usually impacts positively on the performance of the SMEs and that competitive strategy has significant relationship on company's market share. Therefore it is important for small and medium enterprises to learn more innovative ways of pleasing and satisfying the needs of employees at work to increase sales turnover of their business.*

**Practical value / implications.** *This study has further proven that organizations achieve a great efficiency gain by engaging in high differentiation strategy by creating products to respond to the evolving market. Based on the above findings, it is recommended that Competitive Strategies should be adopted in a way that would boost the performance of the SMEs organizations in general.*

**Key words:** *Competitive Strategies, Corporate Performance, differentiation strategy, SMEs.*

**Introduction and review of literature.** In today's business environment, competition has been the bane that no organization can decide to overlook amidst environmental challenges and quest for business sustenance. The International or global environment consists of all those factor that operate at the transactional, cross-cultural and across the border level which have an impact on the business of an organization, also consumer requirements and needs keep changing from time to time and that again mounts pressure on firms to seek for competitive strategies to adopt to stay ahead of industry players in the sector where they belong. There is existence of different forms of manufacturing industries ranging from engineering industries,

construction industries, electronics industries, chemical industries, energy industries, textile industries, food and beverage industries, transport and telecommunication industries in every economy.

Competitiveness is the mean by which entrepreneurs can improve their firm's performance, and which can be measured according to a number of dimensions including market share, profit, growth, and duration. At the same time Man and Chan (2002) stress the importance of links between competitiveness and performance as having a long term rather than a short-term orientation. According to Griffin (2008), a strategy is a comprehensive plan for accomplishing an organization's goals. Strategic management in turn, is a way of approaching business opportunities and challenges – it is a comprehensive and ongoing management process aimed at formulating and implementing effective strategies. Effective strategies are those that promote a superior alignment between the organization and its environment and the achievement of strategic goals.

Porter (1980) considered competitive strategy to be the proactive or defensive actions taken by organizations to create a defendable position in an industry, to cope successfully with the five competitive forces resulting in superior return on investment for the firm, Porter identified three internally consistent generic strategies for creating a defendable position in the industry and to outperform competitors which includes overall cost leadership, Differentiation and focus strategy. The ways that organizations employ these strategies can mitigate the threat from the five competitive forces namely bargaining power of suppliers, bargaining power of new entrants, bargaining power of buyers, bargaining power of substitutes and rivalry among existing firms.

Most organizations strive to do things differently and better in order to differentiate their services and products bearing in mind the needs and wants of their customers. In this way they can gain competitive advantage and so maintain the loyalty and support of their stakeholders. This is essential for growth and survival, for example, technology constantly develops; legislation changes and community interests evolve. Market dynamics change as consumer demands and expectations alter, often as the result of new fashions; new competitors come into the market; or existing competitors become more aggressive. The organization itself learns from its collective experience of success and failure and develops good practice in the management of its processes and systems. Opportunities constantly emerge from the changes but it is the organization's speed in identifying them and its effectiveness in exploiting them that is critical for success (Balsam, Fernando and Tripathy, 2011).

Zamani *et al.* (2013) pointed that SMEs need to distinguish their products in a unique manner to be ahead competition and take market leadership for specific product lines but the challenge of SMEs as regards differentiation ranges lack of organizational creativity, poor packaging and poor brand image, however few SMEs have had paradigm shift from the norm of assumption that they would remain small in business, the extent effect of differentiating organizational products on sales turnover has not been ascertained by many contemporary researches in Nigeria.

**The purpose of the article.** The business terrain of Nigeria is a beehive of activities and is gaining a lot of attention both within and outside the country. Also Organizations exist in challenging economic environments that is highly dynamic in nature as regards consumers' needs, employees and stakeholders' expectations. The ability of organizations especially the SMEs to meet these demands and new competition through the formulation and implementation of new competitive strategies becomes imperative to the success of businesses because organizations emerge as a result of necessity to meet the needs of customers and society in which it operates. Customers want the best of goods and services from the companies they purchase commodities from and meeting societal needs comes up as a result of rendering of corporate social responsibility (Sarac, Ertan and Yucel, 2014).

However, little attention has been given to the nature of the link between cost leadership strategy and cost of operation as it affects performance of SMEs in most developing countries as that of Nigeria. Due to the important roles of the SMEs in national development, many countries have instituted different policy support and frameworks to guide the development of these enterprises. Also the main elements that mitigate a firm's performance with respect to focus strategies have not received a lucid in the Nigerian Business environment. This study intends to answer the following research questions to solve the research problem (i) To what extent does cost leadership strategy aid cost reduction of small and medium enterprises; (ii) To what degree does the adoption of differentiation strategy affect the sales turnover of SMEs?

*Hypothesis i Ho1 Cost leadership strategy has no significant effect on cost reduction of small and medium enterprises. Hypothesis ii Ho2 Adoption of differentiation strategy has no significant effect on the sales turnover of SMEs.*

**Results and Discussion. The Concept of Competitive Strategy.** Bentley, Omer and Sharp (2013) describes strategy as a set of decisions and actions that managers make and take to attain superior company performance relative to rivals. Pertusa-Ortega, Molina-Azorín and Claver-Cortés (2010) find both corporate-level strategy and business-level strategies are significant in explaining variation in firm profitability. The business strategy choices are found to be significant in explaining firm profitability Slater, Olson and Finnegan (2011) and its long-term performance. Two main typologies of competitive strategy are cost leadership and differentiation. The cost leadership strategy is an integrated set of actions taken to produce goods or services with unique features that are acceptable to customers at the lowest cost relative to that competitor or reduce cost structure in order to achieve superior profitability.

Pertusa-Ortega, Molina-Azorín and Claver-Cortés (2009) find that cost leadership strategy has only one significant tactic- minimizing distribution costs that affect organizational performance. Understanding how businesses use competitive strategies to succeed has been at the core of strategic management research for decades (Blackmore and Nesbitt (2013). In the 1960s, 1970s and 1980s, Chandler (1962) stressed that competitive strategy was not a static phenomenon, but a sequence

of interconnected actions and reactions unfolding over time. The relevance of such a dynamic perspective is exemplified through a variety of practical observations. The car manufacturer Toyota, for example, is often cited as an example of a superior competitive positioning in the automotive industry yet this positioning is the outcome of a steady adaptation process that has spanned almost a decade.

Other relevant examples can be seen in the behavior of firms during periods of intense competitive rivalry (Chen and Miller, 1994; Parnell, Long and Lester, 2015) in their responses to environmental changes (Zamani *et al.*, 2013; Lee and Grewal, 2004) and in their attempts to modify their industry positions or reach new ones (Lee, 2003; Ketchen, 2003). Members of the “combination strategy school” have argued that businesses successfully combining low costs and differentiation may create synergies within the firm that overcome any trade-offs that may be associated with the combination. A second typology, Miles and Snow (1978) generic strategy approach, identified four competitive strategy alternatives: prospectors, analyzers, defenders, and reactors. The first three of these strategies can be associated with high performance if the organization’s approach is aligned with the demands of its environment. A fourth strategy type the reactor does not represent a high-performing strategy, a conceptualization consistent with the notion of strategic simplicity (Jusoh and Parnell, 2008; Miller and Dess, 1993). Research has supported the validity of the Miles and Snow typology, although there have been some inconsistencies in findings (Blackmore and Nesbit, 2013). The resulting paradigm, resource-based theory, emphasizes unique firm capabilities, competencies, and resources in strategy formulation, implementation, and performance (Pertusa-Ortega, Molina-Azorín and Claver-Cortés, 2009) indeed, the resource-based perspective is largely supported by a substantial body of empirical literature (Read, 2000).

Resource based scholars have studied such firm-level issues as transaction costs, economies of scope, and organizational culture (Barney, 1991; Zamani *et al.*, 2013). Prominent business level issues include the analysis of competitive imitation, informational asymmetries (Barney, 1995), causal ambiguities (Balsam, Fernando and Tripathy, 2011) and resource accumulation (Dierickx and Cool, 1989). Sustained competitive advantage is a key focal point and exists when competitors are unable to duplicate the benefits of the strategy (Barney, 1991).

**Overall Cost Leadership Strategy.** The cost leadership strategy is an integrated set of actions taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors (Griffin, 2008; Veetil, 2009; Hitt, Ireland and Hoskisson, 2007). Organizations following this strategy strive to achieve overall cost leadership in an industry through aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like R&D, service, sales force and advertising. In spite of the presence of competitive forces the low-cost position of the firm results in the generation of above-average returns. When the intensity of rivalry is high the lower cost position of the cost leader enables them to earn returns. However the competitors



deplete their profits by engaging in rivalry. The bargaining power of the buyers may force a cost leader to reduce its prices, but not below the level at which its next-most-efficient competitor can earn average returns. Even though powerful customers are capable of forcing the cost leader to reduce the prices below this level, they may not prefer to do so. If they do that, the next-most-efficient competitor may need to exit the industry and the cost leader will be in a much stronger position. This will result in an erosion of bargaining power of the buyers. The low cost position also shields the company from the bargaining power of suppliers mainly because the cost leader operates with greater margins than those of competitors. The cost leader will be able to absorb the price increases of its suppliers. Cost leaders maintain high level of efficiency in their operations resulting in increased profit margins. This creates barriers for potential entrants to the industry. Comparatively the lower cost position of the cost leader places it in a more advantageous position than its competitors while facing the threats from substitute products.

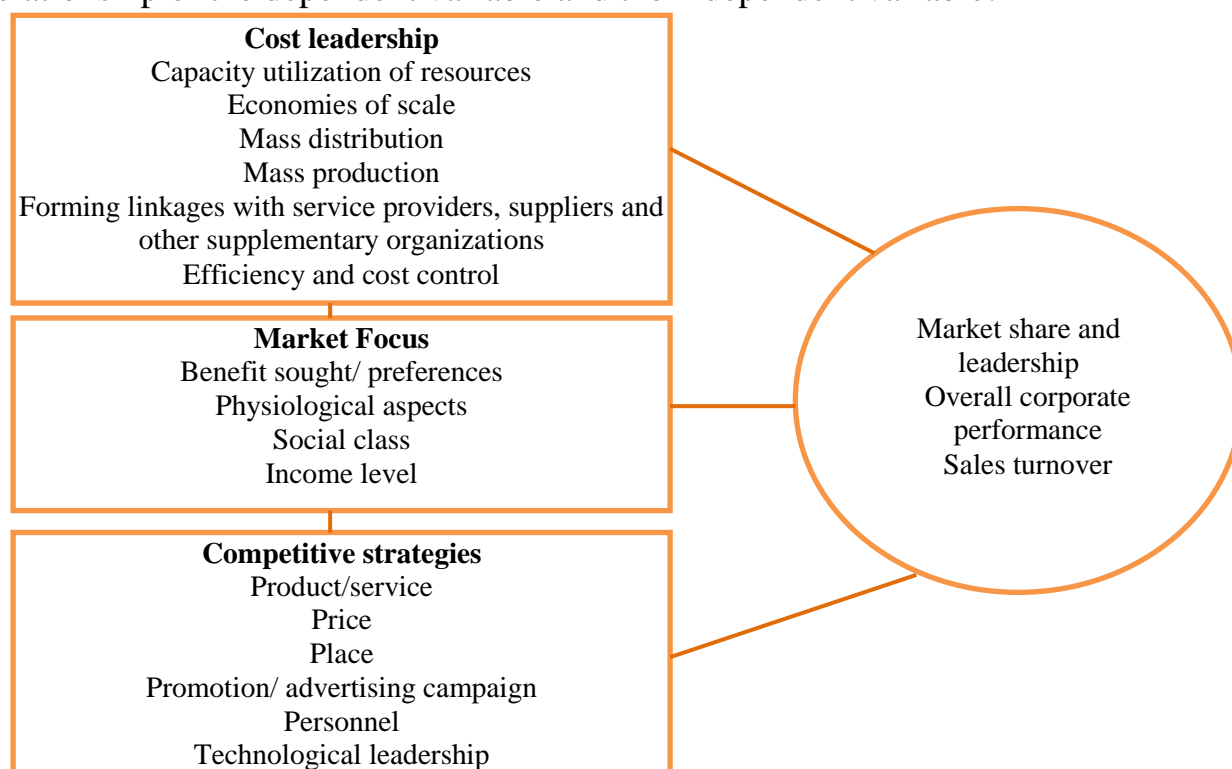
**Differentiation Strategy.** A differentiation strategy is defined as an integrated set of actions taken to produce goods and services (at an acceptable cost) that customers perceive as being different in ways that are important to them (Hitt *et al.*, 2007; Griffin, 2008; Veetil, 2009). A firm differentiates itself through several dimensions like design or brand image, technology, features, customer service and dealer network. A differentiation strategy helps an organization to minimize the threats from the five competitive forces. The brand loyalty of the customers makes them less sensitive to price increases and this protects the differentiator from competitive rivalry. Unique products or services could reduce the customer's sensitivity to price increases and this will reduce their bargaining power significantly. Differentiators normally charge premium prices for their products and services resulting in higher profit margins. Higher supplier costs can be paid through these margins and hence the bargaining power of suppliers can be mitigated. Because of customer loyalty and the need to overcome the uniqueness of differentiated products, it becomes difficult for new entrants to enter the industry. Brand name and customer loyalty provide immunity to differentiators against the threat from substitute products.

**Competitive strategy and performance.** It has been argued by Porter (1980, 1985) that 'the organization's capacity to attain one of the two basic types of competitive advantage which include the low cost or differentiation competitive advantage may lead to a high performance in the long run in which arises from the structure of the industry'. Since the organization's particular objective is to sell its product at a cost above production cost in order to make a profit, the organization can then decide to either differentiate its product from others so as to achieve a superior price or rather engage in the production that is of low cost compared to its competitors. Choosing the best strategy, according to Porter (1985) all depends on the structure of the industry. An industry that is more competitive will curb the power of an organization in influencing the price of the product thereby bringing about a low cost competitive strategy, while an industry that supports price inflation will be best

for organization to go with a differentiation competitive strategy.

Porter (1998) selected the cost leadership strategy as the vibrant of the three strategies and stresses that the reason of being at an advantage to others is in its ability to achieve cost leadership without undermining the basis of differentiation which implies that the cost leadership Strategy must produce similar products with its competitors but at the advantage of producing it at a lower cost (Dess and Davis, 1984; Parnell *et al.*, 2012). Looking differently at the differentiation strategy which asserts that “an organization seeks to be unique to its industry along some dimensions that are widely valued by buyers” (Porter, 1985), it is not astonishing that elements like brand identification, control of distribution channels, innovation in marketing techniques and advertising are found in the differentiation strategy (Dess and Davies, 1984). Thus, organizations adopting this strategy must organize themselves in the sense that the gains must be more that the cost of the strategy.

**Conceptual Framework of Competitive Strategies.** A conceptual framework is a figure that shows the relationship between the dependent variable and the independent variable (Fig. 1). In this study the dependent variable is performance of SMEs while the independent variables are cost leadership strategies, competitive strategies and market focus. A conceptual framework has been drawn to show the relationship of the dependent variable and the independent variable.



**Fig. 1. Conceptual Framework of Study**

Source: author (2018).

### ***Theoretical Framework of Competitive Strategy***

**The Resource – Based Theory.** The resource-based theory of strategy is arguably the dominant theoretical foundation in strategy. It was developed due to increased interest in the role of a firm's resources as the foundation of firm's strategy.

This approach to strategy is concerned not only with the deployment of current resources, but also with the ongoing development of the firm's resource base. Resources are considered to be the source of a firm's capabilities, which are, in turn, the main source of competitive advantage.

The sustainability and height of a firm's competitive advantage is a function of the durability, transparency, transferability, and reliability of its resources and capabilities. The underlying assumption of this view is that when formulating a strategy, firms begin by carrying out a revision of their mission statement regarding their identity and purpose. This assists them to clarify what the firm's business will be and which markets they will serve, and in turn to ascertain their customers and the needs of their customers to be satisfied. Its contribution is in two dimensions and includes both the corporate strategy level and the business strategy level. At the corporate strategy level the attention was focused on the role of firm resources in determining the industrial and geographical boundaries of the firm's activities (Jennings, Rajaratnam and Lawrence, 2003) as highlighted in Salavou (2013). Simultaneously, at the business strategy level there arose, among others, analysis of competitive imitation Sarac, Ertan and Yucel (2014) the appropriability of returns of innovation (Richard *et al.*, 2009) the role of imperfect information in creating profitability differences between competing firms (Salavon, 2013, 2015), and the means by which the process of resource accumulation can sustain competitive advantage.

According to literature, a volatile environment with constant change of customers' preferences, an orientation that is focused externally is not a stable basis for long-term strategy. In this regard, a firm's own resources and capabilities provide the bases for the firm's defined identity. This view is often criticized on the grounds that different combinations of capabilities might generate the same value and therefore do not represent competitive advantage.

***Equity Theory and Competitiveness.*** Generally, equity theory suggests that parties involved in an exchange feel equitably treated and thus satisfied if their amount of input to the exchange is somewhat in balance with their output of the exchange. In equity theory the outcome of the interaction is seen as a function of input to the interaction and relative to the outcome of the other party in the interaction. Satisfaction or dissatisfaction judgment is believed to be formed as a summary of equity/inequity of one's own outcome relative to the other party's outcome in the relationship process, given input. Key to this comparison is the perception of fairness in dealings as it explicitly implies a form of distributive justice whereby individuals get what they deserve based on their inputs or patronage (Griffin, 2008; Veetil, 2009; Hitt, Ireland and Hoskisson, 2007). The customer will have expectations with regard to the outcome, e.g. fairness of the process of the complaint handling. Seen from the customer's point of view the outcome may be perceived as fair or unfair. An unfavorable outcome will be perceived as unfair and create low satisfaction with service recovery. A favorable outcome will be perceived as fair and thus create positive satisfaction with service recovery.



**The “Hazard rate” failure theory.** Dess and Davies (1984) initiated the concept of ‘hazard rate’. The hazard rate is designed to sequentially pinpoint the events responsible for failure over the venture life cycle (age). The hazard rate theory is known for the partial exploration of the causes of failure over the venture age, that is, the factors contributing to business failure. It explores repeatedly until all the covariates (independent explanatory variables) responsible for failure have been exhausted by continually asking such questions as ‘why a particular business exists in this state, while others in the same risk set do not? (Hitt *et al.*, 2007). According to Chen and Miller, 1994; Parnell, Long and Lester (2015), the hazard rate is used to isolate the causes of failure responsible for the fate of small businesses. Furthermore, the determinants of the life duration of small businesses can be explored by making use of hazard function. The hazard function is a model for understanding the causes of SME failure that determines the life span of small businesses and new firms in a competitive market.

**Empirical Framework of Competitive Strategy.** Empirical findings by Pertusa-Ortega, Molina-Azorín and Claver-Cortés (2010) showed that Profits ultimately determine whether firms enter a market and what types of products they offer. These decisions depend critically on how much firms can expect to earn from each of their available options. In an oligopoly context, a firm’s payoffs depend on the entry and product-type decisions of its competitors as well as its own choices. Price competition may be tougher if the market contains more operating firms. Firms may be able to soften the price competition found in less concentrated markets. Specifically, the analysis identifies the price effect of additional market competitors and measures how the effects differ based on the relative product space.

The results by Salavon (2015) demonstrate that competitors have a less harmful effect when products are differentiated. In the case of manufacturing industries, duopoly prices are about five percent lower than the monopoly price when the two competitors offer similar quality lodging services. If the quality of the two firms is different, however, there is no price effect. By differentiating the competitors are able to maintain the monopoly price because products may be differentiated and consumers gain different utility levels from each product type, a firm can charge a price higher than its marginal cost in equilibrium without losing its entire market share. Some consumers may be inclined to sacrifice the utility associated with paying the higher price, if they have a strong preference for that product type.

Salavon (2015) shows that attaining cost leadership typically requires aggressive construction of efficient scale facilities and vigorous pursuit of cost reductions through experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, etc. When attempting to achieve an overall cost leadership position, low cost relative to competitors is the theme running through the entire strategy. To understand how overall cost leadership strategy may generate superior profitability, it is necessary to identify the benefits of a low-cost position. As suggested by Porter “[a low-cost position] gives a firm a defense against rivalry from competitors, because its lower

costs mean that it can still earn returns after its competitors have competed away their profits through rivalry.

Barney and Hesterley (2006) mean that there are six main cost advantages or, sources of cost advantages for firms that successfully adopt cost leadership: Size differences and economies of scale, size differences and diseconomies of scale, experience differences and learning-curve economies, differential low-cost access to productive inputs, technological advantages independent of scale, and Policy choices. Further Balsam, Fernando and Tripathy (2011) explain that the ability of a valuable cost leadership strategy to create a sustainable competitive advantage is conditional upon the strategy being rare and costly to imitate. The above-mentioned sources of cost advantage are classified into two categories according to likelihood of rarity. Learning-curve economies of scale (especially in emerging businesses), differential low-cost access to productive inputs and technological software are generally considered “likely-to-be- rare sources of cost advantage”, while economies of scale (except when efficient plant size approximately equals total industry demand), diseconomies of scale, technological hardware (unless a firm has proprietary hardware development skills) and policy choices are generally considered “less-likely-to-be-rare sources of cost advantage.

*Data analysis.* The primary data will be done via the administration of questionnaire while the secondary data will be done journals, textbooks, internet etc. Data collection was based on a cross-sectional basis because of its ability to provide direct response from a moderate population. The survey method was adopted to collect respondent view about the study through the use of questionnaires, because of the large population. For the purpose of this study, correlation and descriptive research will be used. The population of this study is about 500 employees of the selected SMEs in Lagos and Ogun state. The population of the study will comprise of SMEs in Lagos and Ogun State. The names of 5 SMEs that have agreed to participate in this research are:

- i. Berachah Agroviet International Limited, Lagos state
- ii. Amtrio Oil and Gas Limited, Lagos state
- iii. All Bread Bakery and Confectionaries, Lagos state
- iv. BG Wires and Cables Limited, Ogun State
- v. Crown Feeds and Mills Limited. Ogun State

The size of the population is not fixed since the number of middle level, top level managers and number of the employees of the small scale firms cannot be predicted. The researcher is picking a sample of 500 employees at a random of for the SMEs. Different scholars have given different perspective in determining a sample size. However, for the purposes of this research the Statistical Package for Social Sciences (SPSS) will be used. To ensure the accuracy of the study we will use the Yard’s formula in determining sample size. The coefficient alpha (Cronbach’s alpha) was used to test the reliability of the measurement scale. The methodology adopted was used to test the conceptual framework of Cost leadership strategy and Differentiation strategy. In this study the dependent variable is performance of SMEs

while the independent variables are cost leadership strategies and adoption of differentiation strategies.

*Using Yamane Formula.* This is a statistical formular concerned with the application of normal approximation with 95 % level of confidence and 5 % level of error tolerance. The formular is given below in determining the sample size;

$$n = \frac{N}{1 + \alpha^2 N}$$

To this extent the sample size is determined by  $[n = \frac{N}{1 + N e^2}]$

Where: n = the sample size

N = population

e = the limit of tolerance

$$\text{Therefore, } n = \frac{500}{1 + 500(0.05)^2} = \frac{500}{1 + 500(0.0025)} = \frac{500}{1 + 3} = \frac{500}{4} = 125 \text{ respondents}$$

The sample size of this research is 125 respondents from the population. This is because the nature of this research seeks to collect data from the direct. Participants of the research project.

The research questionnaire was administered to (125) respondents which is the sample size representing the study population of the selected SMEs in Lagos and Ogun State Nigeria (Table 1).

*Table 1*

**Distribution of respondents and response rate**

Respondents Occupation	Questionnaire administered (sampled)	Percentage of total response (%)
Top Level	27	24.8
Middle	16	14.7
Lower	66	60.6
Total	109	100.0
HND& BSC	82	85.3
MSC&MBA	27                      109	14.7                      100
Gender/Category	Questionnaire administered (sampled)	Percentage of total response (%)
Male	62	56.9
Female	47	43.1
No of Returned	109	87.2
No of Not Returned	16	12.8
Total no of Questionnaires	125	100

*Source:* field survey, 2018.

One hundred and nine (109) questionnaire's representing (87.2%) were returned, and sixteen (16) questionnaire representing (12.8) were not returned. The questionnaires were filled by 47 females (43.1%) and 62 males (56.9) and therefore, there were more male respondents than the female respondents in this survey. Most of the respondents are lower management level which represents 66 (60.6 %) of the respondents population. However 16 (14.7%) were middle management level and 27 (24.8) for top management level. majority of the respondents are H.N.D/B.sc holder

of 82(85.3) while 27 (14.7 %) were MSc/MBA holders.

Table 2 shows the opinion of respondents on the research questionnaire of cost leadership strategy and cost reduction in SMEs. The opinion on whether our organization seeks ways of reducing production cost always, it shows that 6 (5.5 %) of respondents strongly disagree, 9 (8.3 %) disagree, 21 (19.3 %) partially disagree, 34 (31.2 %) partially agree, 23 (21.1 %) agree and 16 (14.7) strongly agree that our organization seeks ways of reducing production cost always. opinion of respondents on whether we experience regular changes in techniques in production process.

*Table 2*

**The Descriptive statistics of Cost Leadership Strategy and Cost Reduction**

S/N	Cost leadership strategy and cost reduction	SA	A	PA	PD	D	SD
1	Our organization seeks ways of reducing production cost always.	16	23	34	21	9	6
2	We experience regular changes in techniques in production process	16	30	35	8	9	11
3	The organization uses innovative strategies to minimize cost	10	19	42	12	19	7
4	We engage production specialists in our production process	10	20	46	14	10	9
5	We adopt standard manufacturing practice (SMP)	23	21	42	10	4	9
6	Our cost leadership strategy tends to assist in production cost reduction	12	39	32	7	11	8
7	Cost leadership strategy adopted comes up in different techniques in the organization	24	7	35	20	14	9
8	Cost leadership strategy has influence on the cost of operation of the firm	16	39	31	7	3	13
9	Cost leadership is an applauded strategy the firm adopts to reduce cost	16	14	30	7	5	17
10	Employees are encouraged to be part of cost leadership strategic initiatives	15	30	33	9	15	7

*Source:* field survey, 2018.

It shows that 11 (10.1 %) respondents strongly disagree, 9 (8.3%) disagree, 8 (7.3%) partially disagree, 35 (32.1 %) partially agree, 30 (27.5 %) agree and 16 (14.7 %) strongly agree that we experience regular changes in techniques in production process. opinion of respondents on whether we use innovative strategies to minimize cost. It shows that 7 (6.4 %) strongly disagree, 19 (17.4 %) disagree, 12 (11.0 %) partially disagree, 42 (38.5%) partially agree, 19 (17.4 %) agree and 10 (9.2 %) strongly agree. The opinion of respondents on whether we engage production specialists in our production process. It shows that 9 (8.3 %) strongly disagree, 10 (9.2 %) disagree, 14 (12.8 %) partially disagree, 46 (42.2 %) partially agree, 20(18.3 %) agree and 10 (9.2 %) strongly agree. The view of respondents on whether we adopt standard manufacturing practice. It shows that 9 (8.3 %) strongly disagree, 4 (3.7 %) disagree, 10 (9.2 %) partially disagree, 42 (38.5 %) partially agree, 21(19.3%) agree and 23 (21.1 %) strongly agree. opinion of respondents on whether our cost leadership strategy tends to assist in production cost reduction. It shows that

8 (7.3 %) strongly disagree, 11 (10.1 %) disagree, 7 (6.4 %) partially disagree, 32 (29.4 %) partially agree, 39 (35.8 %) agree and 12 (11.0 %). The opinion of respondents on whether cost leadership strategy adopted comes up in different techniques in the organization. It shows that 9 (8.3 %) strongly disagree, 14 (12.8 %) disagree, 20 (18.3 %) partially disagree, 35 (32.1 %) partially agree, 7 (6.4 %) agree and 24 (22.0 %) strongly agree. The opinion of respondents on whether cost leadership strategy has influence on the cost of operation of the firm. It shows that 13 (11.9 %) strongly disagree, 3 (2.8 %) disagree, 7 (6.4 %) partially disagree, 31 (28.4 %) partially agree, 39 (35.8 %) agree and 16 (14.7 %) strongly agree. The opinion of respondents on whether cost leadership strategy has influence on the cost of operation of the firm. It shows that 13 (11.9 %) strongly disagree, 3 (2.8 %) disagree, 7 (6.4 %) partially disagree, 31 (28.4 %) partially agree, 39 (35.8 %) agree and 16 (14.7%) strongly agree. Opinion of respondents on whether employees are encouraged to be part of cost leadership strategic initiatives. It shows that 7 (6.4 %) strongly disagree, 15(13.8 %) disagree, 9 (8.3 %) partially disagree, 33 (30.3 %) partially agree, 30 (27.5 %) agree and 15 (13.8 %) strongly agree.

Table 3 shows the opinion of respondents on differentiation strategy and sales turnover.

*Table 3*

**The Descriptive statistics of Differentiation Strategy and Sales Turnover**

S/N	Differentiation strategy and sales turnover	SA	A	PA	PD	D	SD
11	We adopt regular modifications on our products configuration	16	49	14	9	8	13
12	We differentiate our products regularly from that of competitors.	12	43	32	10	12	--
13	We consider product differentiation as an integral part of the organizational development.	16	20	50	10	9	4
14	Our company adopts product differentiation strategies based on organization policies.	15	21	59	10	--	4
15	Our company adopt product differentiation strategies based on organization vision	16	16	51	8	14	4
16	Technical specifications of our products are of high standard.	14	40	17	15	19	4
17	The components and materials adopted by the organization make up good products.	20	37	29	9	11	3
18	The organization incorporates latest design to develop new products.	14	31	33	9	10	12
19	Differentiating the company's product has given the organization uncommon patronage in recent time.	14	40	17	15	19	14
20	Product differentiation has influenced the sales turnover of the organization.	70	90	9	4	1	--

Source: field survey, 2018.

The opinion on whether we adopt regular modifications on our products configuration. It shows that 13 (11.9 %) strongly disagree, 8 (7.3 %) disagree, 9 (8.3 %) partially disagree, 14 (12.8 %) partially agree, 49 (45.0 %) agree and



16 (14.7 %) strongly agree. The opinion of respondents on whether we differentiate our products regularly from that of competitors. It shows that 12 (11.0 %) disagree, 10 (9.2 %) partially disagree, 32 (29.4 %) partially agree, 43 (39.4 %) agree and 12 (11.0 %) strongly agree. opinion of respondents on whether we consider product differentiation as an integral part of the organizational development.

It shows that 4 (3.7 %) strongly disagree, 9 (8.3 %) disagree, 10 (9.2 %) partially disagree, 50 (45.9 %) partially agree, 20 (18.3 %) agree and 16 (14.7 %) strongly agree. The opinion of respondents on whether our company adopts product differentiation strategies based on organization policies. It shows that 4 (3.7 %) strongly disagree, 10 (9.2 %) partially disagree, 59 (54.1 %) partially agree, 21 (19.3 %) agree and 15 (13.8 %) strongly agree. Classifies the opinion of respondents on whether our company adopts product differentiation strategies based on organization vision. It shows that 4 (3.7 %) strongly disagree, 14 (12.8 %) disagree, 8 (7.3 %) partially disagree, 51 (46.8 %) partially agree, 16 (14.7 %) agree, 16 (14.7 %) strongly agree. The opinion of respondents on whether our technical specifications of our products are of high standard. It shows that 4 (3.7 %) strongly disagree, 19 (17.4 %) disagree, 15 (13.8 %) partially disagree, 17 (15.6 %) partially agree, 40 (36.7 %) agree, 14 (12.8 %) strongly agree. The opinion of respondents on whether the components and materials adopted by the organization make up good products. It shows that 3 (2.8 %) strongly disagree, 11 (10.1 %) disagree, 9 (8.3 %) partially disagree, 29 (26.6 %) partially agree, 37 (33.9 %) agree, 20 (18.3 %) strongly agree. The opinion of respondents on whether the organization incorporates latest design to develop new products. It shows that 12 (11.0 %) strongly disagree, 10 (9.2 %) disagree, 9 (8.3 %) partially disagree, 33 (30.3 %) partially agree, 31 (28.4 %) agree, and 14 (12.8 %) strongly agree. The opinion of respondents on whether the organization's differentiation of the company's product has given the organization uncommon patronage in recent time. It shows that 14 (12.8 %) strongly disagree, 19 (17.4 %) disagree, 15 (13.8 %) partially disagree, 17 (15.6 %) partially agree, 40 (36.7 %) agree and 14 (12.8 %) strongly agree. The opinion of respondents on whether product differentiation has influenced the sales turnover of the organization. It shows that 1 (0.6 %) strongly disagree, 4 (2.3 %) disagree, 9 (5.2 %) undecided, 90 (51.7 %) agree and 70 (40.2 %) strongly agree. opinion of respondents on whether the organization targets a particular segment of the market for specific product. It shows that 13 (11.9 %) was very low, 9 (8.3 %) low, 9 (8.3 %) moderately low, 11 (10.1 %) moderately high, 19 (17.4 %) high and 48 (44.0 %) very high.

### ***Hypothesis Testing***

#### ***Hypothesis One***

Ho<sub>1</sub> Cost leadership strategy has no significant effect on cost reduction of small and medium enterprises.

Ha<sub>1</sub> Cost leadership strategy has a significant effect on cost reduction of small and medium enterprises.

The result of table 4 shows the model summary of how much of the variance in the dependent variable (cost reduction) is explained by the model (cost leadership

affects cost reduction). The result indicates that the R square is .302 expressed by a 30.2% of the variance in cost leadership strategy affects cost of operation.

*Table 4*

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549(a)	.302	.298	.40946

a) Predictors: (Constant), cost leadership strategy.

The ANOVA table 5 shows that assessment of the statistical significance of the result. The table tests the null hypothesis if  $\text{sig.} \leq 0.05$ . From the table 5 above, the model reaches the statistical significance that is equal to 0.00. This implies that we reject the null hypothesis and accept the alternative hypothesis. That simply means that cost leadership strategy affects cost of operation of SMEs.

*Table 5*

**ANOVA (b)**

Model	Indicator	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.473	1	12.473	74.392	.000(a)
	Residual	28.838	172	.168		
	Total	41.310	173			

a) Predictors: (Constant), cost leadership strategy.

b) Dependent Variable: cost reduction.

This table seeks to ascertain the variables that contributed significantly to the prediction of the dependent variable. The beta value is used to ascertain this. The beta value (.549) indicates that cost leadership strategy affects cost of operation of SMEs.

**Interpretation.** Result of table 6 shows that it is valid to contribute that cost leadership strategy has an effect on cost reduction of SMEs. This is because “p”  $< 0.05$  as indicated in the ANOVA table above. Furthermore, it is valid to conclude that cost leadership strategy is essential given the Beta Value (.549). Reject the null hypothesis ( $H_{01}$ ) and accept the alternative hypothesis ( $H_{a1}$ ). Therefore cost leadership strategy affects cost of operation.

*Table 6*

**Coefficients (a)**

Model	Indicator	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	2.158	.255		8.445	.000
	Cost leadership	.505	.059	.549	8.625	.000

a) Dependent Variable: cost reduction.

Source: field survey, 2018.

### **Hypothesis Two**

$H_{02}$  Adoption of differentiation strategy has no significant effect on the sales turnover of SMEs.

$H_{a2}$  Adoption of differentiation strategy has a significant effect on the sales turnover of SMEs.

Table 7 is the model summary. The result shows how much of the variance in the dependent variable (sales turnover) is explained by the model (Differentiation Strategy would lead increase Sales turnover). The result of table 7 shows that the R square is .253 expressed by a 25.3% of the variance in differentiation strategy would lead to increased sales turnover.

*Table 7*

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.502(a)	.253	.248	.46017

a) Predictors: (Constant), Differentiation Strategy.

Table 8 shows the assessment of the statistical significance of the result. The ANOVA table tests the null hypothesis to determine if it is statistically significant. From the results, the model in this table is statistically significant (sig = .000) and hence the null hypothesis should be rejected.

*Table 8*

**ANOVA (b)**

Model	Indicator	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.303	1	12.303	58.101	.000(a)
	Residual	36.422	172	.212		
	Total	48.725	173			

a) Predictors: (Constant), differentiation strategy.

b) Dependent Variable: sales turnover.

This table seeks to ascertain the variables that contributed significantly to the prediction of the dependent variable. The beta value is used to ascertain this. The beta value (.502) indicates that differentiation strategy would affect sales turnover.

**Interpretation.** The result of table 9 and analysis shows that it is valid to contribute that differentiation strategy would affect sales turnover. This is because “p” < 0.05 as indicated in the ANOVA table above. Furthermore, it is valid to conclude that differentiation strategy is essential given the Beta Value (.502). Reject the null hypothesis ( $H_{01}$ ) and accept the alternative hypothesis ( $H_{a1}$ ). Therefore differentiation strategy would enhance sales turnover.

*Table 9*

**Coefficients (a)**

Model	Indicator	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	2.039	.307		6.642	.000
	Differentiation strategy	.531	.070	.502	7.622	.000

a) Dependent Variable: differentiation strategy.

Source: field survey, 2018.

**Empirical Findings from the Study.** The study found that cost leadership strategy has significant effect on cost reduction of small and medium enterprises indicating that when firms are adopt good cost leadership strategy, they tend to

reduce their cost of operations because the strategy is adopted based on the notion that they are well competent to achieve the purpose which they are meant.

In consonance to the findings by Griffin (2008) showed that Profits ultimately determine whether firms enter a market and what types of products they offer. These decisions depend critically on how much firms can expect to earn from each of their available options. In an oligopoly context, a firm's payoffs depend on the entry and product-type decisions of its competitors as well as its own choices. Price competition may be tougher if the market contains more operating firms. Firms may be able to soften the price competition found in less concentrated markets. Specifically, the analysis identifies the price effect of additional market competitors and measures how the effects differ based on the relative product space locations of the competing firms.

This study has further proven that organizations achieve a great efficiency gain by engaging in high differentiation strategy by creating products to respond to the evolving market (Zamani *et al.*, 2013).

**Conclusions.** The success of SMEs in today's global world cannot be in view without the consideration of competitive strategies, Businesses all over the world go as far as possible to acquire equipment's and products that they perceive would aid their business transactions and performance to supplement their competitive strategies. The findings in this study have shown that competitive strategy has significant relationship on company's market share of five leading SMEs in Nigeria which are (i) Berachah Agroveter International Limited, Lagos state (ii) Amtrio Oil and Gas Limited, Lagos state. (iii) All Bread Bakery and Confectionaries, Lagos state (iv) BG Wires and Cables Limited, Ogun State (v) Crown Feeds and Mills Limited. Ogun State Nigeria.

This study is an important study that helps to evaluate the effects of competitive strategies on small and medium enterprise performance in Nigeria. The study found that business enterprises that have good competitive strategies have the susceptibility of performing better in business than competitors in industry. This study provides information for organizations to know the essence of formulating and implementing competitive strategies that help remain competitively relevant in their various sectors. The study amongst other things would help organization create a scorecard on which performance can be measured in relation to variables used in the research study. Since the study will assist new organizations to enter into industry, it will also be an opportunity for existing organizations to be abreast of strategies that helps them stand out in their industry.

The conclusion however is that competitive strategy has a positive impact on performance of Small and Medium Enterprises in Nigeria. The extant literature shows that this conclusion is valid in several sectors and countries and has been applied systematically. This study brings together two streams of research: competitive strategies and performance in relation to the Small and Medium Enterprises (SMEs). More importantly it also identified the importance and extent of moderating variables of competitive strategies as it affects performance in terms of

cost reduction, sales turnover and market leadership and share. This study provides framework for Small and Medium Enterprises (SMEs) to know the basis of adopting competitive strategies in their operations and to assist the employees to grow and enhance market share of the organization.

This study recommends that SMEs should see cost leadership strategy as a way of advancing the course of the corporation and should also outsource processes to professional in other to help them to continue being in businesses rather than seeing it as a means of luxury to achieve their desires because it has been proven that cost leadership strategy has significant effect on cost reduction of firms.

The findings in this study have shown that competitive strategy has significant relationship on company's market share. Therefore it is important for small and medium enterprises to learn more innovative ways of pleasing and satisfying the needs of employees at work to increase sales turnover of their business.

This study also recommends that SMEs should always work on strategies that will make customers to feel appreciated in their purchase decision as it has reflected in this study that competitive strategies assist small and medium enterprise companies to build customers relationship.

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