

STRATEGIC MANAGEMENT AND ITS EFFECT ON THE PERFORMANCE OF SMALL-SCALE BUSINESS IN SOUTH EAST NIGERIA

Udoh Lydia Uduakobong and Oluka Kingsley Ugochukwu (Ph.D.)

Department of Business Administration, Enugu State University of Science and Technology, Esut

Email: Lydiacradle48@gmail.com/ Oluka.ugochukwu@yahoo.com

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Abstract: *This study examined strategic management and its effect on the performance of small-scale business in South East Nigeria. The specific objectives include the following to: examine the extent to which effect of environmental analysis strategy affects Sales revenue of small-scale business in the South-East of Nigeria and determine the extent to which evaluation and control strategy affects customer retention rate of small-scale business in the South-East of Nigeria. The researcher employed survey research design. Structured questionnaire was used in five likert scale, in line with the objectives of the study. The population of the study is one thousand, five hundred (1,500), while the sample size of 400 was drawn, using Taro Yamane formula. Based on the data collected and analyzed with regression Analysis, the study found that; Environmental analysis strategy had positive effect on sales revenue of small-scale business in the South-East of Nigeria; ($t\text{-cal} = 34.014$, $p\text{-value} = 0.000 < 0.05\%$). Evaluation and control strategy had positive effect on customer retention rate of small-scale business in the South-East of Nigeria. Consequence upon that, it is therefore, concluded that strategic management has positive and significant effect on the performance of small-scale business in South East Nigeria. Sequel to this, the survey recommends that SMEs in South East of Nigeria should pay serious attention to environmental analysis strategy through conducting seminars and effective workshops in order to boost positive effect on sales revenue and management of small-scale business should give evaluation and control strategy more attention by creating evaluation and control unit since it helps increases high premium to small-scale business owners and operators in South East of Nigeria.*

Keywords: *Strategic management, performance, environmental analysis, evaluation/control, sales revenue and customer retention.*

INTRODUCTION

Strategic management is a concept which concerns making decisions and taking corrective actions to achieve long-term targets and goals of an organization (Bakar, *et al*, 2021). It is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's

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objectives (Pearce & Robinson, 2018). The business environment in which firms operate is dynamic and, turbulent with constant and fast paced changes that often render yesteryears strategies irrelevant (Ofunya, 2023).

Strategies should therefore be put in place to cushion the businesses from the uncertainty that comes along with an unpredictable environment. Strategic management addresses the reason why some organizations succeed while others, fail (Melchorita, 2023; Porter, 2001). Strategic management involves identifying the organization's current mission, objectives and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies and evaluating the results (Robbins & Coulter, 2019).

Strategic management practice consists of three basic elements, strategy, formulation, implementation, evaluation and control (Wheelen & Hunger, 2018). It is within these three elements that strategic management practices are manifested and is also described as the strategic management process. The concept of organizational performance is core to business because the major objective of businesses is to make profits. Iravo *et. al* (2024) states that one of the important questions in business has been why some organizations succeed and why others fail and this have influenced a study on the drivers of organizational performance, Awino (2021) asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization.

Njihia, *et. al* (2023) highlight performance measurement as one of the tools which helps firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening accountability. Fwaya (2020) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee's morale and effectiveness. Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance (Nzuve & Nyaega, 2022). Odehiambo (2019) identified three approaches to performance in an organization which are the goal approach, which states that an organization pursues definite identifiable goals. This study therefore seeks to establish the strategic management and its influence on the performance of small-scale business in South East Nigeria.

Statement of the Problem

small-scale businesses struggle to operate, manage and improve their businesses efficiently in order to deliver quality products and services consistently and on time. This is because in most enterprises the application of business strategies requires a host of expensive and time-consuming changes both in the organizational culture and structure hence many owner/managers have had to overlook some necessary and critical business strategies.

This has led a devastating negative effect on their performance as it has resulted in poor service delivery, increased internal inefficiencies and negative bottom line; and-most importantly reduced contribution to the gross domestic product (GDP), creation of job opportunities and also the overall individual organization performance. There is a relationship between strategy and performance. It acknowledged that strategies which result in high performance are identified with activities that include emphasis on product quality, product and service innovations that meet changing customer needs are associated with market share increase arising from attracting new customers and retaining existing ones.

SMEs growth is still a grey area as there is yet to be a conclusive approach and definite indicators of business growth despite the fact that it is every entrepreneur's wish to have their businesses grow. Numerous authors, scholars and researchers have identified numerous problems that small-scale businesses are experiencing. Moreover, there is a seemingly lack of or inadequate information with regards to adoption and application of strategic management in their operation for optimal performance of SMEs in South-East region of Nigeria.

Objectives of the Study

The general objective of the study was to examine the strategic management and its influence on the performance of small-scale business in South-East Nigeria. The specific objectives were to:

1. E
examine the extent to which environmental analysis strategy affects sales revenue of small-scale business in the South-East of Nigeria.
2. D
etermine the extent to which evaluation and control strategy affects customer retention rate of small-scale business in the South-East of Nigeria.

REVIEW OF RELATED LITERATURE

Strategic Management

Ansoff and McDonnell (2020), assert that strategic management is concerned with broad, long-term future of an organization and the way it will prepare for change to the extent that change is perceived as being a necessary prerequisite of future continued success. Strategic decisions and plans are thus subject to greater uncertainty than either administrative or operational decisions. Strategic management has a coordination and integration role, seeking endorsement of the public sector and supporting strategies such as Human Resource (HR) workspace and Information Technology (IT) arid assuring the appropriateness of strategic themes.

Environmental Analysis

This is often the first step in strategy formulation and it involves analysing the internal and external environment in which the organization operates, while (the external analysis aids managers in identifying organizations' opportunities and threats, the internal analysis is for identifying the

distinctive competencies (Kraja & Osrnani, 2023). Explaining further, Muriuki, Cheruiyot & Komen (2017) state that environmental analysis includes the remote external environment (political, economic, social, technological, legal and environmental landscape-PESTLE); industry environment (competitive behaviour of rival organizations, the bargaining power of buyers/customers and suppliers, threats from new entrants to the industry and the ability of buyers to substitute products-the Porter's 5- forces); and internal environment (strengths and weaknesses of the organization's resources-its people, processes and IT systems).

Strategy Evaluation and Control

Managers urgently need to understand when specific strategies are not functioning as required and strategy evaluation is the essential means for getting (his information. This is because, as stated in Muriuki *et al.* (2017), the implementation and control initiatives undertaken are the significant aspects of an effective strategic management practices for corporations. It is vital to any organization's well-being, most especially if timely as it can alert management to likely situations before they become critical (Ahmed & Mukhongo, 2017). Explaining further, Ahmed & Mukhongo (2017) stated that none of strategy formulation or implementation is a once- and for-all-time task since even the best formulated' and implemented strategies can become obsolete as circumstances could arise within a firm's external and internal environments that can necessitate corrective adjustments on strategies already planned.

Organizational Performance

The concept of organizational performance or effectiveness holds a central position in the management of private and public organizations as well as in the field of organizational research. Over the last decades, concerns for efficiency, productivity, excellence, total quality have become increasingly widespread in Western organizations (Lewin & Minton, 2018). These concerns are often motivated by the perception of threats to the durability of the organization. They also seem to be justified by 'the ever-greater international competition for market shares and resources (Maltz, *et al.*, 2023).

Performance is the end result of activities carried out and for any business it is concerned with the general efficiency or productivity. Two ways to deal with performance has been recognized in literature: the financial or "sales-based" and the non-financial or "firm-based". Whereas the financial is measured with dimensions such as profitability, growth, productivity, level of sales revenue, market share and product, return on investments, product added value; the non-financial is measured in terms of employee development, customers satisfaction, job satisfaction and efficient organizational internal processes (Enioh & Ekicbang, 2024).

Sales Revenue

Sales revenue illustrates sales increases/decreases over time. It is used to measure how fast a business is expanding. More valuable than a snapshot of revenue, revenue growth helps investors identify

trends in order to gauge revenue over time. The term "sales revenue" refers to the rate at which a company's business expands. The annual rate of increase/decrease in a company's revenue or sales growth is depicted in the graph (Okerekeoti, 2021).

Customer Retention Rate

It is the totality of a company's efforts and programmes aimed at ensuring that new customers acquired become regular customers over a long period of time in order to maximize customers' lifetime value and enhance marketing competitiveness (Hamilton-Ibama & Elvis, 2022).

Small-scale Businesses in Nigeria

small-scale, businesses contribute greatly to the-economies of all countries, regardless of their level of development. About 50% of the labour force in Japan and 50% of workers in Germany are employed in the small-scale businesses sector. With respect to developing countries and according to the ILO/JASPA (2018), the sector made a significant contribution to the gross domestic-product of Uganda (20%), Kenya (19.5%) and Nigeria (24.5%) The term SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Some of the commonly used criteria are the number of employees, total net assets, sales and invcsimei.il level. However, the most common definitional basis used is employment, but, is a variation in defining the upper and lower size limit of an SME (Ayyagari, 2023).

Theoretical Framework

Porter Generic Strategies Model

This model was described by Michael Porter in 1980. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one "of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering it product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. This strategy is based on serving a certain clientele to the exclusion of others in the market. These are basically buyers with unusual needs as the target market and thus the firm offers to dedicate its services or products to serve them. Application of these strategies varies in firms and it is greatly affected by the industry characteristics (Porter, 1998).

This strategy enables firms to concentrate on a narrow market segment to either achieve the above two strategies of cost leadership and differentiation. It is based on the assumption that the particular needs of the narrow group of customers can be better met by focusing entirely on this group (Porter, 1980). In summary, Porter argues that firms are able to succeed in adopting multiple strategies by creating separate business units for each of the above strategies since customers often seek

multidimensional attributes of a product to derive maximum utility. These can be a mix of quality, convenience, price and style, among other features of a product or service (David *et al.*, 2021). The application of this theory by small-scale enterprises is likely to steer their competitiveness to ensure their performance in whichever industry they are in.

Empirical Review

Olakunle (2018) carried research on the environmental factors and the performance of micro and small-scale enterprises (MSEs) in Nigeria. A purposive sampling technique was employed and a sample of 204 owners/managers of MSEs was surveyed. The findings revealed that environmental factors (inadequate finance, inadequate infrastructure and poor managerial skills) "have a significant ($p > .05$) and negative relationship with MSEs performance (profit, revenue and employees), the findings imply that majority of MSEs are chronically under-financed as a result of funding inaccessibility.

Jonah, Aginah & Marlins (2018) investigated the implications of environmental factors on the productivity of selected small and medium scale enterprises in Rivers-State. The study took a descriptive survey approach and relied on five-point Likert scale questionnaires as its major source of data. The data gathered was analysed using multiple regressions with the aid of 20.0 version of the statistical package for social sciences (SPSS 20.0). Results obtained from the joint test shows that environmental factors affect the productivity of SMEs.

Adetowubo (2018) examined the impact of strategic planning on organizational performance using a study of selected manufacturing organizations Lagos, Nigeria. A sample size of hundred and seventy-one (171) respondents was used in this study, which was determined using Yards formula. The correlation and regression analysis were adopted for this study. The findings reveals that there is a positive relationship between the use of strategic planning and organizational performance in today's corporate environment.

Harriet, Arthur, Komunda & Mugizi (2024) investigated service quality, customer loyalty and customer retention among private health care services in Mbarara City. This study aimed to investigate the relationships between service quality, customer loyalty, and customer retention within private healthcare facilities in Mbarara City. A cross-sectional design was used, with data collection and analysis conducted quantitatively. The study revealed a noteworthy positive relationship between service quality and customer loyalty, as well as a significant positive correlation between customer loyalty and customer retention.

Gap in Literature

A cursory look at the summary of empirical review has revealed however that only one related literature concerning South East of Nigeria was reviewed and is titled, "effect of strategy formulation on organizational performance in manufacturing company Ltd, Emene, Enugu, Nigeria". Little or no research has been carried out specifically on strategic management and its influence on the performance of small-scale Business in South East Nigeria, thereby leaving a Rage literature and information gap that needs to be generated. This study was aimed at filling this gap through its findings.

METHODOLOGY

This study adopted the survey research method. Survey descriptive method was used to plan the study because the researcher did not have direct control or independent methodology or possibly could be manipulated. Opinion of a large population is possible true a small sample which will be engendered by the survey design. The source of data that were used in the computation of the work is the primary and secondary data sources. The population of the study was taken as the number of small-scale businesses selected in the whole south-east region, which was one thousand-five hundred (1500) small-scale businesses were randomly selected from the commercial centres in the five States of the south-east Nigeria. The instrument for data collection in the study was a structured questionnaire. The questionnaire had two parts, which is part "A" part "B". All the questions in part "A" will provide general information about, the respondents while the remaining questions in part "B" addressed the research questions. Five-point Likert scale format was used. There were 16 questionnaire items in the instrument. The organizational process was observed in the various small-scale businesses by the researcher. Interview was also be used for this research. Bio-data are presented in tables, simple percentages. Analyses of data were done using mean and standard deviation. The hypotheses were tested using the t-statistic.

Test of Hypotheses

Hypothesis One

Environmental analysis strategy has positive effect on sales revenue of small-scale business in the South-East of Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.745	.744	.35518

a. Predictors: (Constant), Envanalysis

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	145.953	1	145.953	1156.924	.000 ^b
	Residual	49.958	396	.126		
	Total	195.911	397			

a. Dependent Variable: Sales Revenue

b. Predictors: (Constant), Envanalysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.087	.102		10.643	.000
	ENVANALYSIS	.801	.024	.863	34.014	.000

a. Dependent Variable: Salesrevenue

The R² (Coefficient of determination)

In the above model, R² = .745 adjusted to .744, which implies that approximately 74% of the variation in the dependent variable “Sales Revenue” (SALESREVENUE) is caused by the explanatory variable “Environmental Analysis” (ENVANALYSIS).

Student’s t-test

$$\text{SALESREVENUE} = 1.087 + 0.801 (\text{ENVANALYSIS}) + \mu.$$

This test was conducted to ascertain the significant status of each of the parameters or variables. In doing this, we employed the two-tail tests which compared the t-calculated for the explanatory variables with the t-tabulated.

Decision Rule: It states that if the probability value of t-test statistics is greater than 5% margin which is the critical value, the alternative hypotheses would be rejected and the null accepted, but if probability value of t-test statistics is less than 5% margin, the alternative hypothesis would be accepted and the null hypothesis rejected.

Decision: From the analysis in table 4.14; probability value i.e (t-cal = 34.014, p-value = 0.000 < 0.05%). Therefore, we accept alternative hypothesis which states that environmental analysis strategy has positive effect on Sales revenue of small-scale business in the South-East of Nigeria.

Hypothesis Two

Evaluation and control strategy has positive effect on customer retention rate of small-scale business in the South-East of Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958 ^a	.918	.918	.20091

a. Predictors: (Constant), ECSTRATEGY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.926	1	179.926	4457.451	.000 ^b
	Residual	15.985	396	.040		
	Total	195.911	397			

a. Dependent Variable: CRETENTIONRATE

b. Predictors: (Constant), ECSTRATEGY

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.268	.064		4.173	.000
	ECSTRATEGY	.950	.014	.958	66.764	.000

a. Dependent Variable: CRETENTIONRATE

In the above model, $R^2 = 0.918$, which implies that approximately 92% of the variation in the dependent variable “customer retention rate” (CRETENTIONRATE) is caused by the explanatory variable “Evaluation and control strategy” (ECSTRATEGY).

CRETENTIONRATE

$= 0.268 + 0.950 (\text{ECSTRATEGY}) + \mu$.

This test was conducted to ascertain the significant status of each of the parameters or variables. In doing this, we employed the two-tail tests which compared the t-calculated for the explanatory variables with the t-tabulated.

Decision Rule: It states that if the probability value of t-test statistics is greater than 5% margin which is the critical value, the alternative hypotheses would be rejected and the null accepted, but if probability value of t-test statistics is less than 5% margin, the alternative hypothesis would be accepted and the null hypothesis rejected.

Decision: From the analysis in table 4.15; probability value i.e (t-cal = 66.764, p-value = 0.000 < 0.05%). Therefore, we accept alternative hypothesis which states that evaluation and control strategy has positive effect on customer retention rate of small-scale business in the South-East of Nigeria.

Summary of Findings

Based on the data collected and analyzed, the study found that:

- i. Environmental analysis strategy had positive effect on sales revenue of small-scale business in the South-East of Nigeria; (t-cal = 34.014, p-value = 0.000 < 0.05%).
- ii. Evaluation and control strategy had positive effect on customer retention rate of small-scale business in the South-East of Nigeria. This is confirmed with regression result (t-cal = 66.764, p-value = 0.000 < 0.05%).

Conclusion

Based on the findings made, the study established thus; environmental analysis strategy has positive effect on sales revenue of small-scale business in the South-East of Nigeria. Evaluation and control strategy has positive effect on customer retention rate of small-scale business in the South-East of Nigeria. The findings shows that all the indicators used in the study (environmental analysis strategy, evaluation and control strategy) have positive significant influence on the performance of small-scale business in South East Nigeria. Therefore, the study concludes that strategic management has positive and significant influence on the performance of small-scale business in South East Nigeria.

Recommendations

In view of the findings and conclusion of the study, the following recommendations were made;

- i. SMEs in South East of Nigeria should pay serious attention to environmental analysis strategy through conducting seminars and effective workshops in order to boost positive effect on sales revenue.

- ii. Management of small-scale business should give evaluation and control strategy more attention by creating evaluation and control unit since it helps increase high premium to small-scale business owners and operators in South East of Nigeria.

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