



Entrepreneurial Strategies and Small and Medium Scale Enterprises (SMEs) Development in Ogun State, Nigeria

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Abstract: This study empirically examined entrepreneurial strategies and small and medium scale enterprises (SMEs) development in Ogun State, Nigeria considering they have increasingly become a powerful engine for economic growth and development in today's dynamic and competitive business environment. Entrepreneurial strategies was measured using competitive strategy, human resource strategy, while SME development was measured by return on investment, employee productivity. The population of the study considered was two thousand four hundred and twenty five (2425) employees and a sample size of four hundred and forty six respondents were determined using Taro Yamane formula for sample size. A structured questionnaire titled 'Entrepreneurial Strategies and Small and Medium Scale Enterprises (SMEs) Development in Ogun State, Nigeria' was validated and administered with ninety one point nine percent response rate. Cronbach Alpha reliability for major constructs had an average value of 0.83. The data collected was analysed using linear and multiple regression analysis. Findings reveal there is a positive and significant relationship between entrepreneurial strategies and SME development ($R = 0.535$, at $p < 0.05$). The model R^2 (coefficient of determination) was 0.287, constant value (alpha) of 44.670, the coefficient of independent variable (beta = 0.491) and F-Value yielded 163.890. Competitive strategy had significant effect on return on investment and this effect was statistically significant at ($R = 0.400$, $R^2 = 0.160$, $p < 0.05$, $B = 0.360$, $F = 77.727$). There is also a significant and positive relationship between human resource strategy and employee productivity ($R = 0.4429$, $R^2 = 0.184$, $p < 0.05$, $B = 0.385$, $F = 91.833$). In conclusion, entrepreneurial strategies have a strong positive relationship on the development of SMEs in Ogun State, Nigeria. The adoption of these strategies is germane for SMEs to enable them in the midst of intense competition for their firms to still be sustained, survive and grow consistently. The study has recommended that SMEs should adopt entrepreneurial strategies to enable them increase their returns on investment, employee productivity, which when engaged in their firms enhances SME development.

Keywords: Entrepreneurial Strategies, Competitive Strategy, Human Resource Strategy, SME Development, Employee Productivity

1. Introduction

Globally, small and medium-scale enterprises (SMEs) have increasingly become a powerful engine for both economic growth and development in today's rapidly growing and dynamic competitive global economy [1]. However, the performance and effectiveness of small and medium scale enterprises as an instrument of economic growth and development in Nigeria has long been under academic scrutiny. This intense scrutiny has been against the backdrop of the low performance and inefficiency that has characterized the small and medium scale enterprises

particularly in assessing its role on economic growth and development (Small and Medium Enterprises Development Agency of Nigeria, SMEDAN; 2012).

Entrepreneurship which has occupied a vital position in the course of economic development has become a major notion in both social and human development discourse which is considered to be a key factor of economic and human development [3]. In this present era, entrepreneurs are actually facing a challenging task of identifying the entrepreneurial strategies which will serve as a value addition to the clientele end and yielding profits. Entrepreneurial strategies are means by which an organization establishes and re-establishes its fundamental set of relationships with its

environment characterized by changes in the pattern of decisions taken by the organization.

A major gap in Nigeria's industrial development process in the past years has been the absence of a strong and virile small and medium enterprises sub-sector (SMEs) due to financial constraints explained by high lending rates, high loan requirements and lack of viable entrepreneurial skills which does not allow SMEs to possess the much needed competitive strategies. Furthermore, SMEs has not employ the full arsenals of their entrepreneurial strategies due to constraints such as lack of adequate credit for SMEs, traceable to the reluctance of banks to extend credit to them. This situation arises due to poor documentation at project proposals because the human resources strategies are poorly implemented or inadequate.

Findings by [4], [5] shows that 70% of SMEs fail in their first three years of operations in Nigeria because of their economy of scale. This is coupled with the dynamic nature of the environment, greater competitive firms and the need for continuous innovation. The inability of small scale and medium scale enterprises (SMEs) to gear effort towards applying effective competitive strategies reduces their return on investments as a result of severe competition from multinational companies and also the need to meet consumer's requirement for quality, quantity and price has been a major challenge that has led to the collapse and eventual failure of many SMEs in Nigeria [6].

Objective of the Study

The main objective of the study is to examine the effect of entrepreneurial strategies on the development of SMEs in Ogun State, Nigeria. The specific objectives of the study are to:

- Evaluate the effect of competitive strategy on return on investment.
- Access the effect of human resources strategy on employee productivity.

Research Questions

- What is the effect of competitive strategy on return on investment for SMEs development?
- How does human resources strategy affect employee productivity for SMEs development?

Hypothesis

H₀₁: Competitive Strategy has no significant effect on return on investment for SMEs development.

H₀₂: Human Resources Strategy has no significant effect on employee productivity for SMEs development

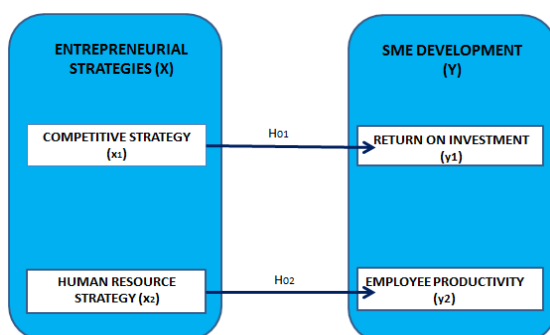


Figure 1. Research Conceptual Model.

2. Literature Review

Entrepreneurial Strategies

Strategies are the primary building block of competitive distinctiveness and development for an organization. Entrepreneurial strategy is characterized as strategy involving widespread and more-or-less simultaneous change in the pattern of decisions taken by an organization. Entrepreneurial strategies helps to understand the integration between creating business opportunities and running the real-life business and the entrepreneurial strategies considered in this study are competitive strategy, human resource strategy, market orientation strategy and adaptation strategy and how they can be employed by entrepreneurs for SME development.

SME's can achieve success by establishing their names and brands through innovations which is an entrepreneurial strategy and ensure their innovations is in the shape of unique designs that not only meet the need of customers but also creates an avenue for them to develop. Small and medium scale enterprises that are innovative tend to be more efficient [7]. According to [8], it is revealed that changes in tastes and preference of consumers necessitate innovation, and that innovation increases sales volume of SMEs. It is important for SMEs to carry out research on innovation; in other to meet and fulfill the demand and expectations of all consumers and the market making it a vital entrepreneurial strategy.

Competitive Strategy

According to [9] competitive strategy is "about being different". He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value". Porter argues that competitive strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. The high mortality rate of SMEs in Nigeria is awful to contemplate and constitute danger to the entire economic system. It represents serious financial pressure on the nation's economy as well as a waste of valuable resources. The business owner needs to always consider challenging situations and be prepared to meet them with pre-planned competitive strategies [10].

Human Resource Strategy

Human resource strategy are strategies aimed at searching for employees and training them, helping with conflict resolution, and organizing and helping with benefits and compensation for employees in an organization in line with the overall goals, mission, and future aspirations of the organization [11]. Human resource strategy is the act of being proactive so that employees have the necessary tools and attitudes to align with the direction the company is moving in. The leadership style as a human resource strategy is most vital for SMEs success. The leadership style is about the aligning of people to the expected outcomes of the vision of the SMEs. In order to lead one must be able to manage and hence, the two are closely related [12]. High potential employees and great leadership styles have positive

correlation to the intention of the employee to stay with the company [13].

3. Methodology

The design adopted for this study is the quantitative research design using the descriptive survey design. This design was considered in order to investigate the relationships that exist among variables of the research. Data were collected through the primary source of data collection (Questionnaire). The research instrument was validated and reliability was carried out using the Cronbach alpha analysis. The population of the study is two thousand four hundred and twenty-five (2425) personnel working in the selected SMEs in Ogun State. The [14] formulae was used to determine the sample size which was arrived at four hundred and forty-six

(446). Data was analyzed using inferential statistics using the statistical package for service solutions (SPSS).

4. Data Presentation, Analysis and Findings

Restatement of Hypothesis One: Competitive Strategy has no Significant Effect on Return on Investment as a Tool for SME Development

Table 1. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400 ^a	.160	.158	2.92514

a. Predictors: (Constant), Competitive strategy

Table 2. Coefficients^a.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.909	.900		16.561	.000
	Competitive Strategy	.360	.041	.400	8.816	.000

a. Dependent Variable: Return on Investment

Model 1 for (H_{01}) is stated as $y_1 = f(x_1)$ and $y_1 = \alpha_0 + \beta_1 x_1 + \mu = 14.909 + 0.360 x_1$

Interpretation

The result in table 1 and table 2 shows that there is a statistically determinant relationship between competitive strategy and return on investment in selected SMEs in Ogun State as it is associated with sig-value of 0.000 which is less than 0.005 or 5%. The null hypothesis which states that competitive strategy has no significant effect on return on investment as a tool for SME development of selected SMEs in Ogun State is rejected (Since $P < 0.05$). The coefficient of determination (R^2) indicates that competitive strategy explains (16.0%) in the differences of return on investment, while the increasing degree in competitive strategy will increase return on investment by (0.400).

Discussion

The result of the analysis in this study shows that competitive strategy significantly affects return on investment of SMEs in Ogun State. Findings of this study also validate the findings of several authors. In the works of

[15], he posits that using mixed strategies will lead to increase in performance among SMEs better than those using standalone strategies on all the performance parameters. The findings of [16] also supported the study of [15] stating that the response of the entrepreneurship to the changing business environment and culture is a significant mediator in the association between entrepreneurial success/development and strategies by inculcating innovation. Therefore, the study concluded that competitive strategy employed by SMEs will increase their return on investment which will also affect their overall development.

Restatement of Hypothesis Two: Human Resource Strategy has no Significant Effect on Employee Productivity as a Tool for SME Development in Ogun State

Table 3. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.429 ^a	.184	.182	2.70567

a. Predictors: (Constant), Human Resource Strategy

Table 4. Coefficients^a.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.903	.895		14.415	.000
	Human Resource Strategy	.385	.040	.429	9.583	.000

a. Dependent Variable: Employee Productivity

Interpretation

The result in table 3 and table 4 revealed that there is a statistically significant relationship between human resource strategy and employee productivity in selected SMEs in Ogun State as it is associated with sig-value of 0.000 which

is less than 0.005 or 5%. Hence the null hypothesis which states that human resource strategy has no significant effect on employee productivity as a tool for SME development in Ogun State is rejected and the alternative hypothesis is accepted. The coefficient of determination (R^2) indicates that

human resource strategy explains (18.4%) in the differences of employee productivity, while the increasing degree in human resource strategy will increase employee productivity by (0.429).

Discussion

The test of hypothesis was to ascertain whether a relationship exists between human resource strategies and employee productivity in selected SMEs in Ogun State. The findings reveal that there is a significant relationship between human resource strategies and employee productivity in the selected SMEs. This finding is in consonance with [17] which argues that the recruitment and selection practices are usually not systematic and lacked consistency as they were not carried out professionally and this entrepreneurial strategy is not good for SMEs and that for SME's to perform better, it is important that they follow the right process of recruitment and selection practices as this is what will facilitate increase in the productivity and competitiveness of the SMEs. In the works of [18], he also posits that a major

entrepreneurial strategy challenge faced by SMEs is their continued lack of the skills and adequate capital to recruit competent and experienced staff to enhance their operations hence the reliance of low grade staff who lack the strategic knowledge and requisite education to promote the business. A systematic recruitment process involves identifying vacancies, job analysis, description, employee specification and advertisement, evidence suggests that most SMEs follow an informal process for recruiting and selecting employees.

Multiple Regressions between Entrepreneurial Strategies and SME Development

Table 5. Multiple Regression Analysis of Entrepreneurial Strategies and SME Development Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.535 ^a	.287	.285	5.30872

Predictors: (Constant), Entrepreneurial Strategies

Table 6. Coefficients^a.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	44.670	3.282		13.610	.000
	Entrepreneurial Strategies	.491	.038	.535	12.802	.000

a. Dependent Variable: SME_Development

Interpretation

The result in table 5 and table 6 showed that there is a statistically determinant relationship between entrepreneurial strategies and SME development in selected SMEs in Ogun State as it is associated with sig-value of 0.000 which is less than 0.005 or 5%. Entrepreneurial strategies and SME development has a moderate correlation of 0.535 indicating that there is a moderate relationship between the two variables. A constant value (alpha) of 44.670 which is the predicted value of the dependent variable measure (SME development) when the predictor is set at 0 and the coefficient of independent variable (beta = 0.491) the size of the coefficient of independent variable measure giving that the size of the effect it has on the dependent variable is 0.491. The coefficient of determination (R^2) indicates that entrepreneurial strategies explains (28.7%) in the differences of SME development.

Discussion

Findings from the study concluded that entrepreneurial strategies will have an effect on SME development. This finding is also affirmed by the literatures reviewed in this study that shows that entrepreneurial strategies have an effect on SME development which also conforms to the findings of this study. The result of this study that entrepreneurial strategies will significantly affect SME development in Ogun state is consistent with findings revealed in the work of [19] that revealed that the strategic management of market information has an important influence on the SMEs performance and this provided a wide variety of tools and conceptual frameworks to aid crisis anticipation. The study also conforms to the findings of [20] which indicated that the

performance of SMEs varies with the choice of strategy orientation that owner-managers adopt and reinforced the usefulness of business strategy orientation to managers/ owner-managers of small and medium scale enterprises.

5. Conclusion

The study concluded that entrepreneurial strategies have a significant impact on SMEs development in Ogun State. This study adds more to the knowledge and understanding on entrepreneurial strategies and SME development. Drawing from the knowledge based view theory, this study argues that the type and characteristics of the resources included in knowledge base of a firm through its entrepreneurial strategies are very relevant and could enable a firm achieve the desired development. The knowledge based view theory considers knowledge to be the most strategically significant resources of the firm that does not depreciate with other productive factors and can generate increasing economic return to the firm. The theory has been used to explain specific areas of strategies used and how their applications are indicators for SMEs growth and development.

Recommendations

The following recommendations were drawn from the findings of the study which include;

Entrepreneurial strategies should be given proper attention with concerted efforts made to integrate it to the operations of SMEs as a significant relationship exists between them.

Competitive strategies should be all encompassing,

allowing for input from employees, customer driven, capable of generating new capabilities and in tandem with the SMEs vision and mission so as to ensure increasing returns on investment for the SMEs.

To allow for SMEs development, the human resource strategies of SMEs need to be regularly improved on, through trainings, adequate compensation and teamwork. The human resource strategies employed by SMEs should be such that it will help the employees to understand and relate with the goals and objectives that can translate to employee productivity which is vital for SME development.

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