

## **IMPACT OF STRATEGIC MANAGEMENT ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA**

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### **ABSTRACT**

The promotion, performance as well as sustainable development of Small and Medium Scale Enterprises (SMEs) have been of concern to developing nations. This study was therefore designed to assess the impact of internal and external SM variables on the performance of SMEs in order to enhance their sustainability. A research design used to collect data from owners/managers of SMEs was purposive sample. A total of 420 out of 1611 population of SMEs operators with the knowledge of SM in the North Central Zone of Nigeria completed the questionnaire. The analytical method used is regression analysis. The findings revealed that the combined effect of internal and external variables of SM on SMEs performance (as represented by sales volume). The coefficient between SM and all independent variables showed that it is highly significant (F-statistics is 7.1943 with prob = 0.0000). The study concluded that internal variables is found to be a driving force on performance than external variable of SM and therefore must be aggressively pursued by the managers of SMEs. The study recommended that SMEs should focus more on internal SM variables such as training, recruitment process, capital base, profit and employment because they are central to performance and sustainable development of SMEs.

**Keywords:** Strategic Management, Small and Medium Enterprises, Performance, Environment, Sustainable development and Profit.

## INTRODUCTION

One of the main issues that concern most of the policy makers at the helm of affairs is how to improve the economy through the support of small and medium scale enterprises in order to sustain their economic development. Therefore, a major concern to policy makers in different countries is to identify appropriate strategy to support and develop small and medium scale enterprises (SMEs). In order to tackle global challenges impeding sustainable development, world leaders came up with the Millennium Development Goals (MDGs) in 2000, were expected to be met by 2015. The first of these MDGs is “to eradicate extreme poverty and hunger”. Consequent upon this, it became very pertinent for the nations of the world to create strong socio-economic structure that would serve the interests of majority of their citizenry, especially the poor. Since then, different countries have been working to raise the living standard of their citizens in order to achieve this goal, among other Millennium Development Goals (Etuk, Etuk, & Baghebo, 2014).

The importance of small and medium scale enterprises in a developing economy like Nigeria can be enormous because Nigeria’s economy is dominated by small and medium scale enterprises in agricultural, construction, manufacturing, commerce and industry, services, trading, etc. Small and Medium Scale Enterprises (SMEs) play a significant role in both developed and developing economies. Statistics as shown that SMEs contribute over 55% of gross domestic product (GDP) and over 65% of total employment in developed economies and it also play a significant role by contributing 60% of GDP and over 70% of total employment in developing economies (Small and Medium Scale Enterprises Development Agency of Nigeria, 2012).

Small and Medium Scale Enterprises are very vulnerable, and their failure rate is very high; so high that no nation can afford to ignore it. The Business Statistics Office (UK) observed that “60 per cent [of small business] fails in the first three years of existence. In the United States, the picture is much the same with “eighty percent of all start-ups succumb within their first five years”. Nigerian Economic Summit Group (2002) also emphasis that about 70 per cent of Small Enterprises in Nigeria failed within the first five years of operation. With this being the case, greater efforts are urgently needed to reduce the fatality rate of Small and Medium Scale Enterprises. Ultimately, a more robust SMEs sector will help to build a nation’s wealth, without it having to woo investments of sophisticated technology. Although, every nation including Nigeria has instituted assistance programs to aid its own SMEs, the entrepreneurs’ efforts count most in determining the performance of this industry. It is the careful selection and correct application of appropriate technique that determine entrepreneurial success.

This study felt that strategic management, a key pillar for business survival, may be adapted and applied to ensure sustainable development of SMEs, on a more consistent basis. Strategic management literature focused primarily on large businesses. The reaction of SMEs is naturally one of being intimidated; and therefore they prefer to operate in the usual manner and mindset. Where there is no change, different results cannot be expected. Anthony Robbins, the most famous Neuronlinguistic Programming specialist, once remarked: “To keep on doing the same thing and expect a different result is a form of insanity”. For reasons stated above, a research on strategic management for SMEs is very essential. Therefore, SMEs should not be discouraged to adopt strategic management if they have not done so. It can start off with its own style, and incorporate strategic management gradually. The study therefore seeksto assess the impact of internal and external Strategic Management variables on the performance of Small and Medium Scale Enterprises (SMEs) in order to enhance their sustainability in Nigeria.

## CONCEPTUAL REVIEW

### Critical Dimension of Strategic Management and Performance of Small and Medium Business

In order to ensure sustainable development of SMEs in Nigeria, it is vital to understand why some SMEs are more successful than others. Comprehensive reviews of extant studies into SMEs suggest that, *ceteris paribus*, a key determinant of business success lies in the absence or presence of strategic management. Strategic management is concerned with the setting of long-term organisational goals and the development that will sustain the SMEs in meeting the set goals (Lurie, 1987; Hormozi, Sutton, McMinn & Lucio, 2002; Aremu & Oyinloye, 2014). There are diverse views on the critical dimensions of strategic management on the performance of small and medium business. Some argue that good management control ensures performance. Others emphasise the importance of community participation. Another group highlights political and bureaucratic bargaining processes as the major determinant of outcomes (Umukoro, 2005). This diversity of views comes partly from the different types of development programmes which have been examined by different authors. An infrastructural programme to build and maintain roads, on the other hand, needs standard systems and good strategic management. For regulatory programmes which require close collaboration among several public agencies, political and bureaucratic bargaining may be crucial. Thus, the dominant problems of some management interventions exclude others. The proponents of different views have neither understood nor articulated the fact that their prescriptions emerge from an analysis of only a few programmes. We all generalise without fully realising how key interventions will differ with the environment and the nature of different programmes. Strategic management therefore must consider four key influences which together determine the performance of small and medium business. These are: the external environment of the business, the business strategy, its organisational structure and its organisational process.

### THE EXTERNAL ENVIRONMENT OF THE SMALL AND MEDIUM SCALE ENTERPRISES

The environment of small and medium scale enterprises includes their levels of technology, infrastructural facilities, economic factors, etc. The environment of most businesses also includes prevailing political conditions, beneficiaries and the local institutional and bureaucratic set-up. These factors change at different rates, and from place to place. Top managers must not only be familiar with them, but must also appraise the environment in order to identify opportunities so as to sustain the SMEs development while minimising the impact of any emerging constraints. Favourable environments improve small and medium business potentials for survival and expansion. Unfavourable ones provide small and medium business managers with difficult conditions and obstacles (Umukoro, 2005).

#### Business Strategy

Strategy is the set of long – term choices the small and medium business leaders make in terms of goals, services, policies and action plans (Adeyemi&Aremu, 2011). Successful strategies must meet both the broad business objectives set by government and by the environment. For example, a governmental programme to promote small scale industries throughout the country must have goals and services consistent with the literacy and background of potential entrepreneur, the potential demand for various goods and gaps in the infrastructure. Strategies that meet the government's objectives and match the environment are more likely to succeed than those that do not.

## **Organisational Structure**

The organisational structure of a strategic management refers to the durable arrangement within a business to perform the tasks defined by its strategy. These include the distribution of authority and responsibility, the reporting relationship and the mechanism for integrating its functions. Some strategies and environments require decentralised structures, others require centralised ones. When diverse services are not offered, divisions based on the types of service may be appropriate. Structure, therefore, limits the fixed or permanent. Existing structures often limit the choice of strategies. No single structure is good for all strategies and environment. Adoption of strategic management fails in some business because they are unable to adapt their structures rapidly to evolving strategies and changing environments.

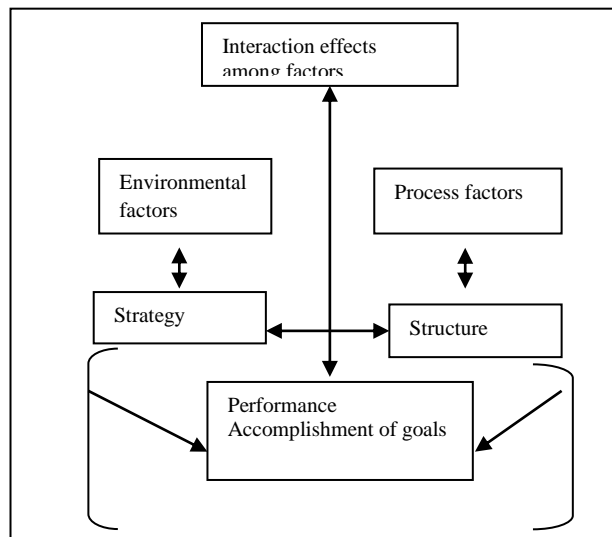
## **Organisational Processes**

Organisational processes are the instruments for influencing the behaviour of employees. If the manager of SMEs is to accomplish common goals, managers need the means to motivate and influence their performance. Participative methods used to set goals, allocate resources and implement the strategies are one set of organisational processes (Umukoro, 2005). The monitoring methods for evaluating and controlling performance are very essential. Such processes and systems are commonly found in enterprises. Processes for human resource development are another set of instruments. Too few SMEs managers seem to realise that these are not fixed processes and that to be effective; they must be adapted to particular strategies and structures (Willems, Willaert & Deschoolmeester, 2007). Thus, proper organisational processes are sources of power and influence in the hand of management when tailored to the strategy and structure of the SMEs.

Summaries of the four important features can be given as follows:

- There are four factors, environment, strategy, structure and processes which influence strategic management and SMEs performance.
- They are not independent. They interact with internal and external environment.
- Small and medium scale enterprises managers can influence modify and match them to improve SMEs performance.
- A schema of how these factors interact and influence performance is shown in figure 1. In addition to these four factors, the diagram has a fifth box to represent the interaction effects among them.

Figure 1: Basic Components of Strategic Management



Source: Umukoro, G. F. (2005) Strategic Management for Development Programme, 59.

Rahman (2001), studied organizational performance from the perspectives of fund, profitability, training, competitors, technology, social media, government policy and number of customers. Furthermore, Anderson and Sohal (1999) indicated business performance as comprising of competitiveness, sales, market share, employment level, cash flow and exports. Rao and Ragu-Nathan (1997) described quality results as scrap and rework, throughput time, warranty costs, customer complaints, productivity, profitability, market share, operating costs, and competitive position.

The current official definitions adopted by National Bureau of Statistics and Small and Medium Scale Enterprises Development Agency of Nigeria SMEDAN in 2012 was adopted for this study

- i. **Small-Scale Enterprises:** an enterprise employing a total capital of over ₦10 million but not more than ₦100 million including working capital but excluding cost of land and/or a work-force of 10 - 49 employees including unpaid family members.
- ii. **Medium Scale Enterprise:** An enterprise employing a total capital of over ₦100 million but not more than ₦1 billion, including working capital but excluding cost of land and/or a work force of 50 - 199 employees including unpaid family members. (NBS/SMEDAN Report 2012). A definition that was considered for this study is the one recently adopted by the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN).

## THEORETICAL FRAMEWORK

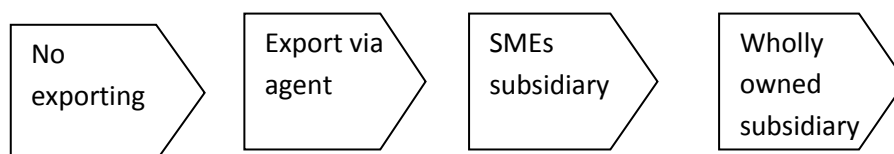
This paper focused on three most commonly cited internationalization theories of SMEs, they are:

- a. Uppsala model,
- b. Network approach model, and
- c. International New Ventures or Born Global model.

## A. Uppsala Model

The Uppsala model is a theory that explains how firms gradually intensify their activities in foreign markets, and it was introduced by Johansson and Vahlne (1977). Their model emphasized the gradual and incremental character of international expansion. Small and medium enterprises could best reduce their risk level by adopting this approach. Incremental growth also suggests that companies begin internationalization process in markets that have less psychic distance. Psychic distance can be defined as the individual's perceived differences between the home and the foreign country, (Sousa & Lages,2011). Figure 2.shows the usual path followed by firms during internationalization based on the Uppsala model. The theory states that the firms with no exporting activity will start by exporting via an agent. Firms may also use other entry modes such as joint venture, licensing or franchising and it depends on the nature of the firm. Gradually, firms will gain more market knowledge and use more intensive and demanding operation modes such as sales subsidiaries and followed by wholly owned subsidiaries.

Figure 2: The Uppsala Model



Source: Adopted from Johanson&Vhalne(1977)

## B. The Network model

Johanson & Mattsson (1988) introduced 'The Network model to internationalization' that highlights the importance of relationships with suppliers, customers and market that can stimulate or help SMEs to go abroad. Networking is seen as a source of market information and knowledge that will bridge the gap between the involved parties' customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors. Development of technology especially in information and communication sector will help SMEs achieve a faster internationalization through the experience and resources of network partners (Mitgwe, 2006). The establishment of financial, technological and commercial relations with the other actors of the network makes it possible to the firms to extend their connections and to gradually widen their activities apart from their own territory until becoming international. These relations involve the firm in deliberated but not planned international relations Johanson & Mattsson (1988). For small and medium size firms, the network approach is seen as a feasible route towards internationalization as their membership to the network will help firms position themselves in a foreign country.

## C. International New Ventures/Born global Model

Nowadays, technological advancements and declining trade barriers are driving the world economy to become integrated and rapid globalization is enabling SMEs to internationalize in a quicker yet effective manner Masum and Fernandez, (2008). As a result, some scholars question the validity of the Uppsala model and the network model, and argue that the model does not explain the internationalization of today's firms, as more firms nowadays are international from inception such as Yahoo, Amazon and Ebay. Oviatt, McDougall, and Patricia (1994) introduced the concept international new ventures (INVs) or also known as "Born Global" to explain this new trend of rapid internationalization. The term INVs and born Global since then have been used interchangeably in many internationalization studies. Oviat et al (1994)

defined born global firms as business organizations that seek for resources and selling products for gaining competitive advantages from multinational markets ever since the beginning. Later studies, however, argued that born global firms do not necessarily internationalize from the inception. However, there is no consensus on the period of time taken to internationalize within the literature to determine a born global firm.

## **EMPIRICAL REVIEW**

In the study conducted by Lawal & Bello (2011), a survey of small and medium scale enterprises in local governments in Lagos State assessed the strategic role of participating SMEs in economic development. Data were generated from primary and secondary sources. Their study considered content analysis of records, particularly, the financial record of some participating SMEs were undertaken to obtain the secondary data. For this particular study, a total population of 2,670 was used among which stratified sampling technique was employed to select 1,000 SMEs upon which the research instruments were administered. The result of the analysis conducted sequel to the study shows that international SMEs contributed more than domestic SMEs in all dimensions of strategic importance. In other words, SMEs with international presence are stronger and perform better than those without international presence thereby making the former more of strategic importance to development than the latter.

In a study conducted by Chiew (1998) on strategic management for small and medium enterprises, all the 50 SMEs being surveyed indicated that they consciously analyze and get feedback about customers in a non-structured manner. When a disturbing trend develops, adjustments are then made in the operations accordingly,. As high as 68% of the interviewees also match the feedback against the strategies they are pursuing, although not on paper. An even higher percentage of 86% of the SMEs was found to think in terms of market segments. Therefore, it seems that it is a spontaneous nature of the SMEs to care about their customers and market. In segmenting the market, they approach the exercise in a unique manner. Instead of segmenting the whole market into a finite number of segments, they merely construct a market segment on a need basis. All others are then piled back when they refer as the mass market. And when another need arises, they will go back to the pile and construct another segment. For example, a plastic resin supplier first made out a market segment consisting of the engineering plastic manufacturers. Later on, to increase sales, the entrepreneur then found it necessary to make out another market segment; which he chose plants to make laminated packaging materials. He still has a large remainder mass market that he can look into to create more market segments later. This is certainly a good way to expand the business, as it takes into account of a SME's own capability first, before looking for a suitable market to work on.

Kadiri (2014), focused on the role of information technology in the management of Small and Medium Scale Enterprises SMEs in Ilorin metropolis. The study emphasized the need for pragmatic approach to improve the efficiency of SMEs in Ilorin metropolis. It employed Binomial Logistic Regression Analysis method for data to analysis. The study recommends that the use of technology should as a matter of urgency and vigorously pursued by SME operators in order to produce at an optimum output and maximize profit.

## **METHODOLOGY**

The methodology adopted in this study is qualitative in nature. Primary Source of data is from questionnaire administered to owners or managers of small and medium enterprises operating in North Central Zone of Nigeria. This was

conveniently divided into six states (Plateau, Benue, Nasarawa, Kogi, Kwara, Niger and Federal Capital Territory, Abuja) in North Central of Nigeria. Four hundred and Twenty (420) small and medium scale enterprises (SMEs) in North Central Zone of Nigeria were sampled using purposive sampling technique with the Knowledge of Strategic Management. Copies of a structured questionnaire were administered to the owners or managers of each organization. From the administered questionnaire only three hundred eighty-five copies of the questionnaire were valid and used for the analysis. The experimental variables examined in this study are profit, sales, sources of capital, access to loan, numbers of employee, government policy, competitors, training, initial capital, technology and Social media that result from the application of strategic management by small and medium scale enterprises.

The model can be formulated as;

$$SME = f(\text{Comp, Cons, Govt, Media, Prof, Recr, Tech, Train, Capit, Empl}) \text{ -----(i)}$$

Where,

Comp = Competitors; Cons= Customer reaction; Govt= Government policy; Media= Social media; Prof= Profit

Recr = Recruitment process; Tech = Technology; Train = Training; Capit= Capital; Empl= Employee

Explicitly;

$\beta_0$  ..... constant;  $\beta_1$  ..... coefficient of competitors;  $\beta_2$  .....coefficient of customer reaction;  $\beta_3$ ..... coefficient of Government;  $\beta_4$ ..... coefficient of Social media;  $\beta_5$ ..... coefficient of Profit;  $\beta_6$ .....coefficient of recruitment process

$\beta_7$ ..... coefficient of technology;  $\beta_8$ ..... coefficient of training;  $\beta_9$ ..... coefficient of Capital;  $\beta_{10}$ ..... coefficient of Employee

Priori ;  $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0, \beta_5 > 0, \beta_6 > 0, \beta_7 > 0, \beta_8 > 0, \beta_9 > 0, \beta_{10} > 0$

### **Hypothesis Formulated**

Ho<sub>1</sub>: Internal and external variables of Strategic management have no significant impact on the performance of Small Medium Scale Enterprises (SMEs) in Nigeria.



## DATA ANALYSIS

This objective was achieved through regression analysis. This involved the examination of the relationships between the internal and external strategic management variables and SMEs performance.

Table 1: Relationship between internal and external strategic management variables

Dependent Variable: LOG(SALE)

Method: Least Squares

Sample: 1 385

Included observations: 379

Excluded observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.444760	0.872529	9.678488	0.0000
COMP	0.006376	0.007053	0.904085	0.3667
CONS	0.240231	0.106824	2.248848	0.0219
GOVT	0.023305	0.078492	0.296909	0.7668
MEDIA	0.013261	0.038781	0.341948	0.7326
LOG(PROF)	0.270585	0.060797	4.450632	0.0000
RECR	0.171097	0.098598	1.735301	0.0838
TECH	0.019311	0.008715	2.215827	0.0275
TRAIN	0.008522	0.005015	1.699206	0.0904
CAPIT	0.117095	0.034780	3.366733	0.0004
EMPL	0.222631	0.048364	4.603237	0.0000
R-squared	0.168016	Mean dependent var		12.68909
Adjusted R-squared	0.144662	S.D. dependent var		0.675010
S.E. of regression	0.624279	Akaike info criterion		1.925696
Sum squared resid	111.0715	Schwarz criterion		2.038459
Log likelihood	-274.0773	F-statistic		7.194308
Durbin-Watson stat	1.979220	Prob(F-statistic)		0.000000

Source: computer print out 2015

The table above shows the result of the impact of strategic management (internal and external variables) on the performance of small and medium scale enterprises. Overall, the result reveals that consumers' reaction, profitability, technology, initial capital, and numbers of employee are the major determinants of small and medium scale enterprises success in Nigeria. Strategies such as competition, government policies and social media are not significant determinants of the performance of SMEs, while recruitment process and training are also important determinants of SMEs' performance.

The model is adequate based on the significance of F-statistic. The F-statistic is significant at 5% level since the probability of F-statistic value (0.000) is less than the 0.05 critical level. The null hypothesis that the model is not significant in explaining the variations in the performance of SMEs is, therefore, rejected. The value of Durbin Watson test of autocorrelation shows an absence of serial autocorrelation. This is because the calculated value of DW (1.1.979) falls between 2 and upper critical level ( $D_U$ ) at 1% significant level. Where  $D_U = 1.61$ . With this result we reject the hypothesis that there is presence of serial autocorrelation in our model. Therefore, parameter estimates from our model are stable and efficient.

Interpreting the estimated coefficients, it can be seen from the table above that competition has a positive but an insignificant effect on SMEs' performance. The result shows that competition, when combined with internal management

strategies does not significantly promote growth and performance of small and medium scale enterprises in Nigeria. One percent in level of competition will on the average lead to about 0.63 percent increase in SMEs' performance.

The result also indicates that consumer reaction, an external management strategy, is positive related to the performance of SMEs. The estimate of consumers' reaction is significant at 5 percent level. One percent increase in the measure of consumers' reaction will on the average lead to about 24 percent increase in the performance of SMEs. Technology, an external management strategy, also has a significant effect on SMEs' performance. The coefficient of technology is significantly different from zero at 5 percent level. One percent increase in the level of technology used by small and medium scale businesses will on the average lead to about 1.93 percent increase in the performance of small and medium scale enterprises in Nigeria. Adoption of modern technology will give sustainability to SMEs because it will enhance their development.

The result also shows that both government policies and social media as external strategies have positive effect on the performance of small and medium scale enterprises in Nigeria, however, their estimates are insignificantly different from zero. Thus, it can be said, based on this result, that both government policies and social media have insignificant effect on the performance of small and medium scale in Nigeria. These findings are also similar to what was obtained when the performance of SMEs was exclusively regressed on external management strategies.

Focusing on the result of the effect of internal management strategies on the performance of small and medium scale enterprises in Nigeria, it can be seen that among the five internal management strategies variables considered, three variables were statistically significant at 5 percent (these are level of profit, initial capital and number of employee), while recruitment policies and training are significant at 10 percent critical level. From the result above, profitability has a positive and significant effect on SMEs' performance. The result shows that high profit promotes growth and performance of small and medium scale enterprises in Nigeria. One percent in profitability level will on the average lead to about 27 percent increase in SMEs' performance and this will guarantee sustainability of SMEs.

It was also indicated in the table above that capital and number of employee have a significant effect on SMEs' performance. The estimates of initial capital level and number of employee are statistically significant at 5 percent level. One percent increase in the measure of initial capital level will on the average lead to about 11.7 percent increase in performance of SMEs, while one percent increase in number of employee will on the average lead to about 22.2 percent increase in the performance of small and medium scale enterprises in Nigeria.

Although, the result shows that both training and number of employees as internal strategies have positive effect on the performance of small and medium scale enterprises in Nigeria, their estimates are insignificantly different from zero at 5 percent. Thus, it can be said, based on this result, that both training policies and number of employees will have significant effect on the performance of small and medium scale in Nigeria when the critical of 10 percent is considered as yardstick.

## **DISCUSSION OF FINDINGS**

A well-managed and healthy SMEs constitute significant sources of employment opportunities and wealth creation in developing economy. While the citizens benefit in terms of employment and income, Government also benefits by generating revenue in form of taxes. This can be a strong factor for sustainable development of SMEs because it

guarantees social stability in the country. The study's finding revealed that there exist positive relationship between Small and Medium Scale Enterprises and strategic management variables. The lower the government policy, the higher their performance, when more SMEs come on board, it leads to more employment. This result was agreed with the work of previous researchers. According to Basil (2005) and Chiew (1998), strategic management is one of the major indices that enhance performance of SMEs. They concluded that strategic management is largely relevant to SMEs. And as long as due attention is paid to threats and crisis handling, the vulnerability of SMEs and their sustainability will be ensued.

The level of training in the sampled SMEs was found not encouraging, indicating the need for Nigeria SMEs to invest in human capital development and ensuring a robust employee appraisal system that will meet the desired objectives and win the confidence and trust of the employees in the appraisal mechanism in order to achieve the sustainable development expected in the SMEs. This is in line with past study, Ugbam, Onwumere&Ibe, (2012) whose investigation revealed that labour turnover has positive and significant impact on age and size but was positive and non-significant on profitability of SMEs in Nigeria. SMES owners should ensure that workers are not turned over but should be retained by being given adequate training. Training should be given to staff and manager/owners of SMEs such as (for staff: record keeping, accounting, customer care, efficiency improvement, document and filing (administrative), computer, operation of machinery and tools, , etc.) for managers/owners entrepreneurship improvement, business finance, quality management, law and regulations, marketing, accounting, business management, cost calculation, occupational health and safety etc. Furthermore, technology has positive relationship with SMEs. The result was in line with Adeniran&Alenoghena (2006), whose study revealed that "the university is the knowledge-based society in which any existing technology is developed upon, or a new technology is evolved.

In relation to the SMEs, it will be in the best interest of all for the universities to concentrate more on the SME technology in their localities because of easy adaptation and accessibility as well as relevance to the local economy". From the analysis carried out and the data obtained for this study, ten (10) variables were used. Out of the ten (10) variables, seven (7) were significant because the probability was less than 0.05. This indicates that all these variables: consumer reaction (0.021), profit (0.000), recruitment (0.083), technology (0.027), training (0.094), capital (0.000), and employee (0.000) have significant impact on the performance of SMEs because they are less than p-value of 0.05 and 10% which means that they significantly affect the performance of SMEs in Nigeria. Past researchers (Isiaka 2010, Isiaka 2011, Aun&Aremu 2012) stressed that training and development have a positive correlation with overall performance of any business. They argued that complexity in business environment in recent time shows the importance of training and development in today's business. This is because it will enable an organization to meet product and technological adjustment and challenges in the business environment.

## **CONCLUSIONS AND RECOMMENDATIONS**

The study concluded that external and internal variables of strategic management are major factors that must be considered by SMEs so as to achieve the sustainable development. Some SMEs commit mistake by not taking into cognizance the external and internal variables of strategic management. They place advertisement without taking cognizance of strategic management, promoting themselves instead of the enterprises, promoting the business in a wrong environment, quitting when experiencing a slight setback or disappointment, not researching adequately into the market before starting business. Since Strategic management is considered as the set of top SMEs interventions which provide the framework for all operational decisions and actions and hence facilitates effective performance. Owners of SMEs

should monitor and influence four key factors in order to practice strategic management: these are the external environment, business strategy, organisational structure and organizational processes. SMEs have gone through a great level of tests, difficulties, challenges, failures and subsequent collapse, because of inadequacy in infrastructures, whereas most of them are not capable to transform to large scale business enterprises which is the underlying principle behind the sustainable development of SMEs. The concern of the decision makers should be on the sustainability of SMEs.

The conclusion of the study is based on the premises that SMEs should continually monitor internal and external events and trends so that they can achieve high degree of sustainability and timely changes can be made as needed. SMEs must be capable of astutely identifying and adapting to change. The need to adapt to change leads the organization to key questions such as: what kind of business should the SMEs engage in? Is the SMEs in the right field? Should the SMEs reshape its strategy? Many countries rely on the SMEs to assist in the development of their countries. In the case of Malaysia, it has a very clear expectation on the SMEs. SMEs assume a critical role in the country's industrialization programme through the strengthening of both forward and backward industrial linkage. They have also set in place policies and programmes to further develop and integrate domestic SMEs as the critical and strategic link to develop and strengthen the cluster formation and to increase domestic value-added. The SMEs will assume these roles by complementing the activities of large-scale industries through integration into the mainstream of the industrial development through the provision of critical parts and components as well as expanding their market internationally.

The overall conclusion from this study is that there is need for SMEs to use strategic management in their enterprises because it influenced the profitability and sustainable development of their enterprises. Strategic management is an important ingredient for the successful management of SMEs. It was clearly shown from the study that the more SMEs implement strategic management, the better and more competitive the SMEs. Analyses of the study have shown that strategic management is very relevant to small and medium scale enterprises performance in Nigeria. It should be realized however, that this will remain only a dream if adequate priority is not given to the strategic management variables highlighted in the study. The owners of small and medium scale enterprises in Nigeria should adopt strategic management because the findings from the study have revealed that it is a key factor in successful management of SMEs in Nigeria.

The study recommended that government, SMEs owners and managers should focus more on internal Strategic Management variables such as training, recruitment process, capital base, profit and employment because they are central to SMEs performance. This will enable SMEs to grow and sustain the challenges in the operating environment.

Training, as reported in the findings of the study, is significant to the performance of SMEs which if adequately looked into will enhance the sustainability of SMEs in Nigeria. There is need for upgrading the skills of all types of workers, including owners of SMEs, as it is central to SMEs performance. The quality of management is particularly important for small and medium enterprises (SMEs), in order to adapt quickly to evolving markets and changing circumstances. Such constraints also put limits on their ability to engage in training, even though this study indicates that there is a positive correlation between training and the performance of SMEs. The study encourages training for small and medium enterprises (SMEs), in order to reduce failure rates and sustain the development of the enterprises. Government needs to provide adequate training to managers and owners of SMEs. In turn, owners of SMEs should therefore endeavour to train their employees through on- the -job and off-the-training, so that the employees will learn new skills, ideas, innovation and this will had value to the enterprises. Therefore, more concerted efforts should be employed by

governments at all levels to make training and retraining of owners of SMEs acquires the necessary skills required in modern business techniques. This will boost the efficiency and productivity of SMEs as well as bolster its share in the growth of the country's economy.

Technology is an important external variable of strategic management that can be used by SMEs to sustain the continuous development of their enterprises as revealed by the study. The emphasis should be on modern technology. Technological advancement can be achieved through transformation of Nigerian educational system. Schools at all levels should be orientated and focused on technological studies and create sustainable environment for research and development while de-emphasizing reliance on imported technology.

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