

Chapter 1

Alignment Between Business Strategies and Performance of Small and Medium-Sized Manufacturing Companies in Africa

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ABSTRACT

Strategy can play a key role in achieving competitive advantage and for business continuity, but the role of strategy is very often misdirected in small businesses. Therefore, this chapter examined the role of business strategies on the performance of small and medium enterprise manufacturing companies in Nigeria, the most populous and one of the largest economies in Africa. The authors conducted a survey with 110 respondents using simple random sampling technique and analyzed the data with linear regression. Results of the study showed that all the selected business strategic capabilities (Cost leadership, differentiation, and focus strategies) are positively associated with the performance of the small and medium sized manufacturing companies in Nigeria. It is recommended that small and medium enterprises should adopt and review regularly their business strategies for proper use and adapting to the continuous changes in the business environments in order to improve performance.

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1.0 INTRODUCTION

Small and Medium Enterprises are seen as one of the largest contributors and major drivers of economies worldwide. SMEs are described differently across various countries and regions, they are based on some specific numerical measurement that has been specified, like the revenues, annual business turnover, and the number of employees. The nature and characteristics of SMEs in different regions and countries reflect the economic system of that country, not just the economic system, but also the country's cultural system. The development of SMEs globally is of high importance, as it is a major driving force of worldwide economies and developing economies (Akpan, & Ibidunni. 2021). Nigeria is seen as one of the largest economy in Sub-Saharan Africa, and the economy is greatly contributed to by small and medium-scale enterprises (Mekwunye, 2018). Nigeria as a developing economy, it understands the importance of small and medium enterprises to the growth and development of the country because they operate largely across different sectors in the economy, trading, service, manufacturing, and also in the agricultural sector (Adelekan, Eze & Majekodunmi, 2019; Eze & Chambe, 2021).

Small and medium enterprises act as a catalyst for technological advancement and industrial expansion (Sanusi, *et.al*, 2021). There are many new opportunities for small and medium enterprises to take advantage of in their business operations to achieve better performance domestically and globally (Ogbari, *et.al*, 2022). For a small and medium enterprises to take advantage of these opportunities, there are various strategies for the business to adopt, implement and manage. SMEs in Nigeria find it hard to improve the performance of their business as a result of a lack of planning, and proper implementation of strategies (Akpan, Udoh, & Adebisi. 2020), this can reduce the contributions and development that small and medium enterprises provide to the economy (Adewoye & Salau, 2022). Research has shown that there are roles that strategies play in business to ensure high performance at the end of a specific period, different reasons have been brought up for the underperformance of small and medium enterprises, lack of knowledge on the owner's part, succession planning, lack of financial management (Meflinda, Mahyarni, Indrayani, & Walandari, 2018, Clampit, Lorentz, Gamble, & Lee, 2021).

There are challenges faced by small and medium enterprises that affect their performance and continuity of the business. In their study Onyeje, Court, and Agbaeze, (2020) established that the poor performance of small and medium enterprises is a result of a lack of proper management of strategies. Also, despite the various contributions like employment creation, contribution to GDPs, it is important to know that business continuity remains a major challenge confronting small businesses (Adewoye & Salau, 2022). Many SMEs have been established in Nigeria to make a profit, create job opportunities, satisfy customers' needs, and increase market share (Waidi, 2020). In order to achieve these objectives, it is necessary for business owners to consider implementing strategies to play an important role in improving business performance (Adeosun-Familoni, 2015; Fuertes, *et.al*, 2020). Strategies such as cost leadership, product differentiation, focus strategy, use of technology, and involvement of employees in decision-making, these strategies to help SMEs in their performance (Babajide, 2012; Barney, 1991; Hermawati, & Gunawan, 2020). An organization must operate with competitive strategies to attain good performance (Singh & Chakraborty, 2023) and implementing a single strategy could be dangerous for the business (Chaturvedi, & Karri, 2022). The role of strategy is to help small and medium enterprises achieve their desired outcome in the changing environment (Mishra & Shukla, 2023) and these strategies are in various forms and are implemented in different ways (Mishra & Shukla, 2023). Could it then be said that the performance of a small and medium enterprise is affected by the strategies? This study is

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