

Strategic Flexibility and Environmental Dynamics of SMEs in Rivers State

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Abstract: *This study examined the relationship between strategic flexibility and environmental dynamics in selected SMEs in Port Harcourt, Rivers State. The research was based on resource-based view theory. The cross-sectional survey method was adopted with the help of a structured questionnaire to elicit responses from 268 small and medium enterprises in Port Harcourt, Rivers State. SPSS 27.0 was used to perform the data analysis and verify the hypotheses. The results showed that strategic flexibility significantly relate to environmental dynamics, and organisational culture significantly moderate the relationship between strategic flexibility and environmental dynamics in selected SMEs in Port Harcourt, Rivers State. In conclusion, this study reveals that environmental dynamics can be enhanced through strategic flexibility and explained through organizational culture.*

Keywords: *Coordination Flexibility, Environmental Dynamics, Resource Flexibility, Organizational Culture, Strategic Flexibility, SMEs*

Introduction

Growing and developing an economy relies heavily on the success of small and medium-sized businesses. They are essential to economic growth because they generate new employment opportunities and boost a region's overall standard of living (Maksimov et al., 2017). Governments in both emerging and wealthy countries support small firms because of their value in creating jobs, new products, and overall economic growth (Mills & McCarthy, 2016). Small and medium-sized enterprises (SMEs) account for over half of all new jobs and 90 percent of all private sector employment growth in developing nations (Kumar, 2017; Lorenz & Pomet, 2018). Olabisi et al. (2011) provide a comprehensive summary of the factors that influence the success or failure of small and medium-sized enterprises (SMEs), including the following: business strategy, objectives, goals, and motivation, personal characteristics, parent influence, entrepreneurial orientation, and business networking. bad cost control, high raw material costs, a lack of skilled staff, bad policy formation, poor motivations and operations, poor location, and low demand from the purchasing power of the population were all cited by Sherifat (2014) as reasons why SMEs in Nigeria fail.

Whether they're located in a developed country, an emerging market, or a developing country, small and medium-sized enterprises (SMEs) all have a number of common challenges. Factors such as corporate image, government legislation, owner/managers' awareness, perception, education, financial issues, external support, communication, and cooperation are all mentioned by Yu and Bell (2007) as either motivators or barriers to the businesses' sustainability practises. The velocity of change and the degree of instability in the environment are what constitute environmental dynamism (Hou, Hong, Zhu, & Zhou, 2019). Organisations in rich nations aren't

immune to environmental change, but the pace and magnitude of change they face in developing nations are orders of magnitude smaller (Van Uden, Vermeulen, & Knobens, 2019). Therefore, studying the dynamic environment of developing economies requires further study.

As Dhir, Ongsakul, and Batra (2018) point out, organisations are open systems that are affected by environmental change. According to Turulja and Bajgoric (2019), the effectiveness of an organisation is determined by how well its characteristics align with environmental circumstances, a central tenet of the traditional contingency theory (Lawrence & Lorsch, 1967). Due to the fast rate of change in the environment, it is necessary for the organisation to constantly initiate change processes within the organisation in order to adapt to it. In other words, according to Lewin's (1947) Theory of Planned Change, organisations are unfrozen in response to environmental changes, at which point they implement internal change initiatives to address those changes. Jansen, Vera, and Crossan (2009) affirm that the way in which leadership observes, interprets, and responds to environmental dynamism is crucial to understanding the impact of the environment on organisational outcomes.

A key business imperative in today's uncertain and volatile business environments is strategic flexibility, which is defined as "the capacity of an organisation to reallocate and reconfigure its resources, processes, and strategies in response to external changes" (Zhou & Wu, 2010; Sambumurthy et al., 2003; Chen et al., 2014). Competition from around the world, shrinking product life cycles, and the demands of discerning consumers for individualised service all increase the importance of a company's capacity for rapid environmental adaptation (Nadkarni & Herrmann, 2010; Zhou & Wu, 2010). Strategic flexibility appears to be the key to a company's adaptation in the face of demanding external demands (Drnevich & Croson, 2013).

Strategic adaptability has been broken down into two parts by Yousuf, Lorestani, Oláh, and Felföldi (2021) and Sanchez (1997): the ability to shift resources and the ability to change how teams work together. The experts noted that while it used to simply mean a company's collection of assets, today the term is more often associated with the potential outcomes that might be achieved by putting those assets to work. According to Grewal and Tansuhaj (2001), resource flexibility is provided by the resources' intrinsic features, while coordination flexibility indicates a company's ability to make use of its existing resources. Actually, having access to resources that can be used to different purposes is what we mean when we talk about resource flexibility. Wei et al. (2014) define coordination flexibility as "the capacity to generate novel resource combinations through the application of an internal coordination process." Strategic adaptability allows companies to meet the challenges of an ever-evolving marketplace. This necessitates having a number of tools at one's disposal and a flexible approach (Bowman & Hurry, 1993). The ability to flexibly manage resources in response to changes in the business environment is simply one benefit of strategic flexibility (Zhou & Wu, 2010; Wei et al., 2014).

Understanding an organization's culture is crucial because, as Henri (2006) argues, it shapes how individuals act (Tidor et al., 2012). A comprehensive literature search revealed several different ways in which organisations could be said to have a culture. Nonetheless, there is consensus across organisation members on the values, beliefs, practises, and assumptions that shape day-to-day operations (Latifi et al., 2021; Dess & Robinson, 1984). Okocha and Akhigbe (2020) assessed the moderating effect of organisational culture on the connection between intellectual capital and sustainable competitive advantage, and Hamid (2016) looked into the mediating effect of culture on the connection between entrepreneurial orientation and organisational performance in SMEs. This research fills a gap in the literature by examining the impact of organisational culture on the link between strategic adaptability and environmental dynamics in Port Harcourt's small and

medium-sized enterprises (SMEs). The studied literature and the results of the aforementioned investigations led us to this conclusion.

Conceptual Framework

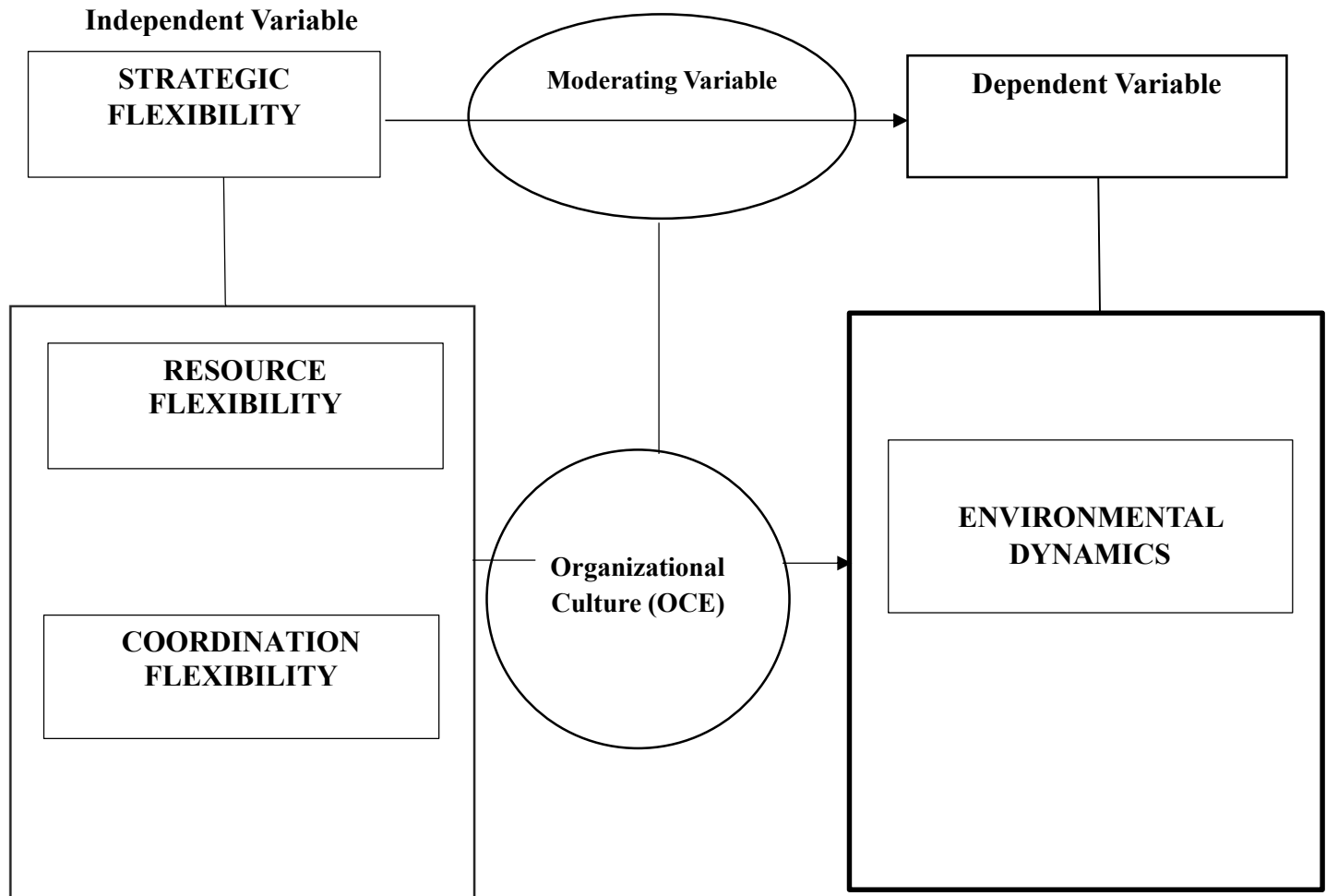


Fig 1: Conceptual Research Model

Source: The dimensions of Strategic Flexibility were adapted from the work of Yousuf, Lorestani, Oláh, and Felföldi, (2021)., while the measures of environmental dynamics were adapted from the works of Jansen et al., (2006); the moderating variable (Organizational Culture) was adapted from Obijiaku (2019).

Aim and Objectives of the Study

The aim of the study is to examine the relationship between strategic flexibility and environmental dynamics in selected SMEs in Port Harcourt. Thus, the following specific objectives are stated:

- to investigate the relationship between resource flexibility and environmental dynamics at selected SMEs in Port Harcourt.
- to evaluate the relationship between coordination flexibility and environmental dynamics in selected SMEs in Port Harcourt.
- to x-ray the moderating role of organisational culture in the relationship between strategic flexibility and environmental dynamics in selected SMEs in Port Harcourt.

Research Hypotheses

H₀₁: There is no significant relationship between resource flexibility and environmental dynamics at selected SMEs in Port Harcourt.

H₀₂: There is no significant relationship between coordination flexibility and environmental dynamics of selected SMEs in Port Harcourt.

H₀₃: Organisational culture do not significantly moderate the relationship between strategic flexibility and environmental dynamics in selected SMEs in Port Harcourt.

Concept of Strategic Flexibility

In today's fast-paced corporate world, where change is constant, adaptability is key. It develops businesses' responsiveness to technological change and market opportunities (Fawcett et al., 2008; Fynes et al., 2004) and is a strategic merit and alternative approach to managing an uncertain future in light of product competition. According to this research, strategic flexibility is "coordination flexibility" in reaction to unforeseen conditions and resource adaptation to increase business performance (Yuan et al., 2010).

Competition literature (Bamel & Bamel, 2018) shows that companies must adapt to the market. Strategic flexibility may help with competition and market instability. Strategic flexibility may also effect a company's success, especially in a competitive market (Yuan et al., 2010).

Concept of Resource Flexibility

In today's fast-paced corporate world, where change is constant, adaptability is key. It develops businesses' responsiveness to technological change and market opportunities (Fawcett et al., 2008; Fynes et al., 2004) and is a strategic merit and alternative approach to managing an uncertain future in light of product competition. According to this research, strategic flexibility is "coordination flexibility" in reaction to unforeseen conditions and resource adaptation to increase business performance (Yuan et al., 2010).

Competition literature (Bamel & Bamel, 2018) shows that companies must adapt to the market. Strategic flexibility may help with competition and market instability. Strategic flexibility may also effect a company's success, especially in a competitive market (Yuan et al., 2010).

Concept of Coordination Flexibility

As a subset of strategic flexibility, coordination flexibility must be examined in detail, starting with the idea that coordination is an organization's inventive face (Chan et al., 2017). Coordination also involves three main processes: (a) defining production and marketing strategies to determine the market segments it wants to reach with the products; (b) determining the resources needed to produce and distribute the products; and (c) re-customizing resources by forming effective and suitable marketing channels to support the production strategies in the target markets.

A more flexible coordinating approach could help firms adapt to changing conditions, exploit opportunities, better service customers (Pondy & Mitroff, 1979), and improve performance. It also

lets the organization rethink and reapply normal administrative operations, reducing overhead expenses and speeding up product production (Hill & Chambers, 1991).

Concept of Environmental Dynamics

The rapidity of change and unpredictability of movements in technology, customer tastes, product demand (market), and product in a business is called "dynamism of the environment" (Koberg, Uhlenbruck, & Sarason, 1996; Martnez-Sánchez et al., 2011). Changes in an organization's technological capabilities, the spread of new technologies, and the emergence of new competitors can create a highly dynamic environment. This may present new problems and opportunities for organisational methods (Atuahene-Gima, Li, & De Luca, 2006).

Businesses may struggle to embrace older or less imaginative technology to suit customers' changing needs in rapidly expanding industries (Coombs & Bierly, 2006). In Akgun, Keskin, and Byrne (2008), environmental dynamic cues determined how a company's resources and talents affect its behaviour, operations, and performance. Competition, changing consumer tastes, and rapid technical improvement make the environment more fluid (Atuahene-Gima, Li, & De Luca, 2006).

Theoretical framework

Resource-based View Theory

From the firm's perspective, the RBV examines what makes a company successful or unsuccessful (Dickson, 1996). Valuable, uncommon, inimitable, and non-substitutable (VRINS) resources help companies gain and maintain competitive advantages (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984).

The Resource-Based View (RBV) explains how organisations analyse and interpret their resources to stay competitive. According to the RBV, a company's performance and competitive advantage come from its distinctive, hard-to-copy traits (Barney, 1986; Hamel & Prahalad, 1996).

Strategic adaptability and environmental dynamics are positively correlated, per RBV theory. Businesses with VRIN resources—valuable, rare, unique, and non-replicable—are more adaptable to disruption. These assets let organisations compete and thrive despite external changes.

An SME with a strong brand and loyal customers can weather economic disasters. Brand awareness will provide the SME an edge over competitors, and a loyal clientele will assure continuous income even in tough times.

Methodology

This study collected data cross-sectionally using random samples. To conduct the study, we invited managers and their volunteer workers using personal and professional networks for recruiting. Each manager randomly selected three to five team members. Participants must be full-time employees with at least six months at their current company. Managers were instructed to issue each participating employee a code name, and employees were instructed to note their code on their questionnaires. Online surveys were distributed via Google Forms. Following the same approach, the researcher received the completed surveys by email. Those who disliked Google Forms were given personalised questionnaires.

The leader-member dyad strategy may reduce prevalent method bias in people selection, which was random. Samples were taken in Port Harcourt and Obio/Akpor. Small and medium firms returned 337 of 400 questionnaires. After sorting and screening, invalid surveys were eliminated.

Surveys with missing items, inadequate filling, or inability to match were included. A recovery percentage of 79.53% was achieved with 268 valid responses.

This study uses and modifies the instrument from previous studies (Yousuf et al., 2021; Jansen et al., 2006) and incorporates indicators from theoretical and operational definitions of the constructs under investigation to assess validity. Content-based validity is offered in instruments.

Test reliability was assessed using the Cronbach alpha coefficient in this study. A reliability coefficient more than 0.70 indicates excellent reliability, while a value less than 0.70 indicates poor reliability (Bryman & Bell, 2011). Nunnally (cited in Sekaran, 2003) set the standard of 0.70. All instrument dependability values exceeded 0.70.

We used SPSS 27.0 for data analysis and hypothesis testing. A descriptive statistical analysis showed the sample's basic features. The study variables' relationships were examined using a Spearman rank-order correlation coefficient to determine their relevance. To determine how organisational culture moderates strategy and environmental dynamics, a partial correlation analysis was performed.

Result and Discussions

The use of descriptive statistical analysis facilitates the extraction of demographic variables pertaining to the respondents inside the sample. The present study involved the statistical analysis of the gathered sample data, leading to the acquisition of descriptive statistics as presented in Table 1. Out of the total 268 samples, 140 individuals (52.24%) were identified as male, while 128 individuals (47.76%) were identified as female. The average age of the participants was 30.62 years, with the majority falling within the age range of 26-40 years, constituting 77.20% of the sample. The highest level of education attained by most participants was either a senior school certificate or a bachelor's degree, accounting for 86.6% of the sample. There was no statistically significant difference observed between unmarried individuals (42.52%) and married individuals (57.46%).

Table 1: Descriptive statistical analysis (N = 268)

	Characteristics	Option	Frequency	Percentage
	Gender	Male	140	52.24%
		Female	128	47.76%
	Age	21-25 years old	36	13.43%
		26-30 years old	126	47.01%
		31-40 years old	95	35.45%
		41-50 years old	11	4.10%
	Education	SSCE/WAEC	94	35.08%
		B.Sc.	172	64.18%

		Masters or above	2	0.75%
	Marital Status	Single	114	42.54%
		Married	154	57.46%

TESTING OF RESEARCH HYPOTHESES

H₀₁: There is no significant relationship between resource flexibility and environmental dynamics

Table 2: Analysis of the effect of resource flexibility on environmental dynamics

Correlations			RFY	EDS
Spearman's rho	RFY	Correlation Coefficient	1.000	.865
		Sig. (2-tailed)	.	.000
		N	268	268
	EDS	Correlation Coefficient	.865	1.000
		Sig. (2-tailed)	.000	.
		N	268	268

Source: SPSS 27.0 output on research data

Table 2 shows a positive linear relationship between resource flexibility and environmental dynamics with a Spearman Correlation coefficient of 0.865. Correlation test results were statistically significant (p-value 0.000). Resource and environmental flexibility are positively correlated, showing that resource flexibility increases environmental dynamics.

The study found a strong link between resource flexibility and environmental dynamics. Thus, the null hypothesis was rejected, adopting the alternative hypothesis that resource flexibility positively affects environmental dynamics.

Hypothesis Two

H₀₂: There is no significant relationship between coordination flexibility and environmental dynamics

Table 3: Analysis of the effect of coordination flexibility on environmental dynamics

Correlations			CFY	EDS
Spearman's rho	CFY	Correlation Coefficient	1.000	.794
		Sig. (2-tailed)	.	.001
		N	268	268
	EDS	Correlation Coefficient	.794	1.000
		Sig. (2-tailed)	.001	.
		N	268	268

Source: SPSS 27.0 output on research data

Table 3 shows a Spearman Correlation coefficient of 0.794. This value shows a positive linear relationship between coordination flexibility and environmental dynamics. The correlation test

was significant ($p = 0.001$). The 0.05 p -value is statistically significant. Coordination flexibility appears to positively correlate with environmental dynamics.

The study found an association between coordination flexibility and environmental dynamics. Thus, the null hypothesis was rejected and the alternative hypothesis, which proposes a positive and statistically significant correlation between coordination flexibility and environmental dynamics, accepted.

Hypothesis Three

H₀₃: Organizational culture does not significantly moderate the relationship between strategic flexibility and environmental dynamics

Table 4: Analysis of the moderating effect of organizational culture on strategic flexibility and environmental dynamics

Control Variables		Correlations		
			SFY	EDS
OCE	SFY	Correlation	1.000	.866
		Significance (2-tailed)	.	.002
		df	0	265
	EDS	Correlation	.866	1.000
		Significance (2-tailed)	.002	.
		df	265	0

Source: SPSS 27.0 output on research data

Table 4 shows the Partial Correlation coefficient is 0.866. Organisational culture positively moderates the relationship between strategic flexibility and environmental dynamics. The test found a p -value of 0.002 between organisational culture, strategic flexibility, and environmental dynamics. Organisational culture correlated positively with strategic flexibility and environmental dynamics.

Organisational culture moderates the impact of strategic flexibility on environmental dynamics, according to study. Thus, the null hypothesis failed.

Discussions of Findings

SPSS 27.0 employed Spearman's rank and partial correlation coefficient for social science statistical analysis. The evidence substantially supports hypothesis 1, that resource adaptability and environmental dynamics are related. As mentioned, a firm's ability to quickly alter strategies is vital for competitive advantage in constantly changing circumstances. Guo and Cao (2014), Hitt et al. (1998), and Johnson et al. (2003) agree. It helps businesses identify environmental changes (Grewal & Tansuhaj, 2001), overcome organisational inertia (Zhou & Wu, 2010), rebalance resources (Sanchez, 1995), spark innovation (Hitt et al., 1998; Li, 2010), and find untapped markets.

The second hypothesis suggests that environmental change rate affects coordination adaptability. This supports Asikhia's (2011) research on Nigerian SMEs' competitiveness and flexibility. This study found that SMEs' strategic flexibility positively and statistically significantly affects numerous market performance measures, and that marketing competency and competitive intensity attenuate this link. Additionally, Vem et al. (2022) demonstrated that coordination flexibility moderates the relationship between strategic orientation and innovative performance.

Strategic and coordinational flexibility were substantially associated with creative performance and moderated the relationship between strategic flexibility and innovative performance, while HR practise was not.

Information on how organisational culture affects strategic flexibility and environmental dynamics supports Hypothesis 3. Arabeche et al. (2022) (Dzomonda & Fatoki, 2019; Mason et al., 2015; Lumpkin & Dess, 1996; Schumpeter, 1983) supports this. Organisational culture moderates the link between strategic flexibility and environmental dynamics in Rivers State SMEs (Latifi et al., 2021).

Conclusion

The conclusion was derived from the analysis and interpretation of the study's findings as presented in the discussion section.

Strategic flexibility approaches have been found to have a positive impact on environmental dynamics. To be more precise,

- i. The use of resource flexibility has been found to have a substantial impact on environmental dynamics of selected SMEs in Port Harcourt.
- ii. The implementation of coordination flexibility has been found to have a considerable positive impact on environmental dynamics in selected SMEs in Port Harcourt.
- iii. The connection between strategic flexibility and environmental dynamics at selected SMEs in Port Harcourt is strongly moderated by organisational culture.

Recommendations

In light of the aforementioned discussions and findings, this research offers the following recommendations concerning the link between strategic flexibility and environmental dynamics for a subset of Port Harcourt-based SMEs:

- i. Small and medium-sized enterprises (SMEs) need to be able to quickly reallocate resources (financial, human, and technological) in response to new opportunities or threats.
- ii. In order to pool resources and information, small and medium-sized enterprises (SMEs) should develop strategic alliances or partnerships with other SMEs, industry groups, or bigger enterprises. By pooling resources, teams are better able to adapt to changing circumstances.
- iii. Small and medium-sized enterprises (SMEs) should have an adaptable organisational framework that facilitates rapid transformation. Having a flat organisational structure or forming cross-departmental teams could help achieve this goal.
- iv. Small and medium-sized enterprises (SMEs) should promote a culture of innovation and flexibility by encouraging employee input and a willingness to try new things.

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