Corporate Strategies and Growth of Small and Medium Enterprises (SMES) in a Competitive Business Environment

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Abstract: Competition has turned out to be the norm of the day in modern economy. Modern business organization particularly small and medium enterprises does not only compete with local industries but also with foreign industries. While competition has given room to increased varieties of goods available to consumers and improved quality of the products, yet, strive competition has led to nonperformance and collapse of many business enterprises as recorded. Consequently, this work examined corporate strategies and growth of small and medium enterprises (SMEs) in a competitive business environment. The work considered the use of secondary sources of information and reviewed the concept of corporate strategy and dimensions of corporate strategy. The work also looked at growth and analyzed its relationship with corporate strategy. Causes of SME failure, competition, types of market competition, methods of measuring market competition, profitable and sustainable growth strategies in a competitive market, approaches to formulating corporate competitive strategy and strategy development and its implementation were all examined. It was realized that competition exist in the present-day economy and that SMEs as a necessity need strategic thinking and only by developing good and effective corporate strategies can they become and remain strategically competitive. Hence, SMEs should be proactive. They must not let their competitors to surpass them unexpectedly. The management of firms must establish corporate strategy that will place the organization in an enviable and productive position that will be very tough and backbreaking for their competitors to retaliate.

Key Words: Corporate Strategy, Growth, SMEs, Competitive Business Environment

INTRODUCTION

Small and Medium Enterprises exist and function in a society to satisfy personal and social needs via the effective and efficient creation of goods and services. Their decisions influence and are influenced by the events in the society.

The social, economic, and political organizations that constitute a society create in a wide sense the environment of business enterprises and their work pattern influences the activities and achievements of every single business unit. The focus of this work is on corporate strategy and the effect and influence of the affairs of competitors on a business firm.

Customers have a choice to go elsewhere if a particular firm's product or service does not meet their needs. The customers can freely go to a competitor who may claim they can do better. This is to say that the affairs as carried out by competitor in the same industrial sector as a firm also allied a firm's prospects and operations.
The type and quality of products that competitor offer, the prices they demand for their products or services, their sizes, locations, reputation, distribution channels and usual stock level maintained are some of the things about competitors which shape the operations of a business. No business firm can ignore the actions and decisions of its competitors in a modern economy characterized by competitions.

Small and Medium enterprises (SMEs) as have been noted make essential contributions to economic and social development and advancement of any country. Hence, the growth of the SME sector affects directly the nation's performance. In all economies SMEs constitute the huge majority of business establishments and they are typically responsible for the creation of bulk employment openings which account for one third (1/3) to two third (2/3) of the private sector's turnover (Ntsika, 2002).

It has been evaluated and rated that SMEs generates 56% of employment openings in the private sector and provides 36% of the Gross Domestic Product (GDP) universally (Arianoff, 2010). In many nations as recorded, SMEs as it were have been a significant engine of positive growth in issues relating to employment and output over the past several decades. In developing countries SMEs are regarded as a vital and major ‘self-help’ instrument for the eradication poverty.

Small businesses are identified by different countries with the use of different principles, rules and standards. Nonetheless, the expression small business enterprise as it were is generally appropriate and applicable to private/personal trading, commercial or industrial enterprises characterized by little investments, assets, operations, output, sales, number of employees and scope (Dave, 2008).

In the opinion of Hatten (2008) the acronym SME as commonly expressed meaning Small and Medium Enterprises is used in the European Union and other international organizations to designate companies with a limited and stated/specifed number of employees. A micro-enterprise in Kenya is seen as maintaining no greater than ten (10) employees; a small enterprise maintaining eleven to fifty (11-50) employees; and a medium enterprise maintaining greater than fifty to one hundred (50-100) employees, as stipulated and recorded by National Micro and Small Enterprise Baseline Survey (1999).

STATEMENT OF THE PROBLEM
The economic situations characterized by recession and competition as it were are presently threatening the existence and survival of a great deal of corporate establishments and such establishment need to realize and understand the need for them to step up from their current state if they must continue to exist, survive and remain productive in the foreseeable future.

Prior to industrial revolution, producers were considered as kings and could create anything because there were existing markets for them regardless of quality, price etc. It will be pertinent to note that productivity upon cessation of the industrial revolution increased beyond measure and competition turned uneasy.
The creation of goods and services were no more adequate to grant a firm a competitive edge over others but policies and strategies established and implemented to achieve market leadership. In the light of the rigorous and strict competition that has characterized the economic system, it is essential for companies to exploit situations and deal with total actual and potential opportunities.

Formulation of policies and strategies that will grant them competitive edge has turn a necessity with a view to survive and remain competitive. Furthermore, business affairs in the world is presently carried out under conditions of great risk, uncertainties and fierce competition as it were. It is no longer feasible to depend on an “invisible hand” to regulate business operations and put any firm in a position of relative advantage in a competitive business environment.

The highest challenge for a successful organization world over is change. Many good idea relating to how well products and services should be offered, how they ought to be produced and delivered has all of a sudden become obsolete and unworkable when dealing with change.

A good number of organizations find it very tough to handle change as it concerns customer’s need, new technology, innovation etc. hence they become unsuccessful, fold up or are taken over and managed by more aggressive competitors. Therefore in view and recognition of the problems stated above, this work has been embarked upon to carefully and critically identify and view the effect and influence of competitor's activities on SMEs and recommend practical business strategies for its survival and growth in a competitive business environment in Nigeria.

AIMS AND OBJECTIVES OF THE STUDY
The objectives of my study are to:
1. carefully and critically identify the causes of business failure;
2. determine strategies for survival and growth;
3. identify approaches to formulating corporate competitive strategy;
4. identify types of market competition;
5. identify methods of measurement of market competition;
6. determine profitable and sustainable growth strategies in a competitive market;
7. make necessary recommendations in reliance on the findings.

METHODOLOGY OF THE STUDY
The methodology adopted for this work was secondary sources of information from sources such as textbooks, lecture notes, scholarly journals and articles.
CONCEPTUAL FRAMEWORK
The diagram as shown below explains the relationship between corporate strategies and growth of small and medium enterprises.

The Independent Variable also known as Predictor Variable in this work is Corporate Strategies conceptualized by the Researchers (2019). Its dimensions consist of vertical integration, horizontal integration and geographical/global expansion. Then again, the Dependent Variable also called Criterion Variable is Growth of Small and Medium Enterprises conceptualized by the Researchers (2019). Its measures include Sales Volume and Profit Maximization.

REVIEW OF RELATED LITERATURE
Strategy as a term is gained from the Greek term “strategia” which was first used around 400 B.C. This imply the art and science of directing military forces. In business parlance as it were, there is no explicit meaning to particularly define strategy. Corporate strategy explains the overall direction of a company towards growth by taking care of business and product lines. These has to do with stability, growth and retrenchment. For instance, Coco cola, Inc., has taken the growth strategy by acquisition. It has successfully taken over ownership of local bottling units to rise as the market leader.
CONCEPT OF STRATEGY
The word 'strategy' which has been viewed as a basic and essential management tool in any organization is an all-round concept that different authors have defined in various ways. It is the match between an organization's resources, skills and the environmental opportunities together with the dangers it faces and the reasons it wishes to accomplish (David, 2003). Mintzberg and Quinn (2002) also had a hand in strategy definition whereby they perceived strategy as a system or a plan that integrates organization's major goals, policies and actions into a united whole. 

Strategy in the opinion of Porter (2006) is a creation of a unique and exposed position of tradeoffs in competing, including a set of tasks that efficiently blend together, that are commonly consistent, reinforce each other and ensure an increase and enhancement of effort. In their definition Pearce and Robinson (2007) defined strategy as the “game plan” of the company which leads to future oriented plans relating with the competitive environment to attain the company's objectives.

A strategy is a general plan or set of plans expected to achieve something, especially over an extensive period of time. Strategy was viewed by Johnson and Scholes (2002) as the course and scope of an organization in the fullness of time, which attains advantage for the organization via its arrangement of resources within a dynamic environment, and accomplish stakeholder's expectations.

Strategy in the opinion of Ansoff (2008) was viewed in connection with the choices of market and product. According to his opinion, strategy is the “common thread” among an organization's tasks and the market. Strategy as stated by Jauch and Glueck (1988), is a consolidated and integrated plan that links the strategic advantages of the firm to the challenges of the environment and that is planned and arranged to make certain that the essential objectives of the enterprise are attained through an adequate execution by the organization.

The reason and need for strategy is to give directional cues to the organization that allows it to attain its objectives and responding concurrently to the chances/prospects as well as dangers/perils in the environment (Pearce & Robinson, 2007).

CORPORATE STRATEGY
Organizations are facing interesting and dynamic challenges as it were in the 21st century. In the international business, companies as a necessity need strategic thinking and only by developing good and effective corporate strategies can they become and remain strategically competitive. A sustainable competitive edge exist when organization implements a value - creating strategy of which other companies finds difficult to duplicate the benefits or find it too costly to initiate. Corporate strategy comprises the commitments, decisions and activities required for a firm to attain strategic competitiveness and gain above average returns. The goals of corporate strategy are challenging not only for large firms but also for small and medium enterprises.
THREE DIMENSIONS OF CORPORATE STRATEGY
The three dimensions corporate strategy are vertical integration, horizontal integration and geographical/global expansion. Firms need to grow with a view to boost sales volume and maximize profit.

![Diagram of Three Dimensions of Corporate Strategy](source)

**Fig. 2:** Three Dimensions of Corporate Strategy  
**Source:** Strategic Management: Concepts and Cases (Rothaermel 2013).

VERTICAL INTEGRATION
Vertical integration (VI) is a strategy that various firms use to attain control over their industry’s value chain. VI is when a company that operates within one section of the overall supply chain acquires another company within that same supply chain, e.g. when a paint company agree to buy the trucking company that distributes the paint to retailers or decides to buy the company that provides the raw ingredients for the paint. VI is the type of integration that occurs when one firm is aiming to reduce overall costs and possibly even expedite the whole supply chain (or somewhat direct the functions of the trucking firm or the raw ingredient firm to their own particular requirements).

HORIZONTAL INTEGRATION
Horizontal integration has to do with an action where a firm acquires another firm that is basically involved in the same type of business. For instance when a firm that deals on paint buy another firm that also deals on paint. Horizontal integration occur when a firm is looking to develop some type of monopolistic advantage by reducing competition and increasing market share in order to develop specific economies of scale. A firm may do this by means of internal
expansion, acquisition or merger. The process can actually create monopoly especially if the firm wins the large majority of the market for that product or service.

**GEOGRAPHIC SCOPE/EXPANSION**

Growth is the goal of every business owner. With a little luck and a lot of commitment and hard work, the business will grow and with it, there will be need for expansion. Expansion can come in various forms. One of the increasingly common forms of expansion is geographic expansion, or the inclusion of one or more locations. Geographic expansion has been regarded as internal growth strategy in which business grows by merely expanding from its initial location to additional geographical locations. The only satisfactory motivation for geographic expansion is market multiplication. When done properly, geographic expansion provides a firm the capability to concurrently sell products in different/multiple markets. Geographic expansion can help a firm gain access to new markets and talent pools, cut costs, and perhaps most significantly, provide a strong pipeline to fuel a firm’s future growth.

**GROWTH OF SMALL AND MEDIUM ENTERPRISES**

This is the process of enhancing some measure of an enterprise's success. Small and medium enterprises growth can be gained either by increasing the top line or revenue of the business with higher product sales or service income, or by increasing the bottom line or profitability of the operation by reducing costs. In business the term “growth” is used to relate to different things like increase in the overall sales volume annually, a rise in the capacity of production, increase in employment related issues, a rise in the volume of production, and a rise in the use of raw material and power (Foster & Browne, 2006). These factors indicate growth but do not provide the specific meaning of growth. In other words, business growth has to do with a rise in the size or scale of operations of a firm normally accompanied by increase in its resources and output. Business growth is an inherent process of adaptation and evolution that happens under conditions that are favorable.

The growth and advancement of a business firm is indistinguishable to that of a human being who has to undergo the various stages of infancy, childhood, adulthood and maturity (Hamel, 2006). According to Mankins and Steele (2005) strategic growth is a ceaseless process that evaluates and directs the business and the industry that the company is concerned with, assesses its competitors adequately and set goals and strategies to be able to meet all the existing and potential competitors, and then re-assess each strategy yearly or quarterly (frequently/routinely) to ascertain how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changing and dynamic circumstances.

The basic and major objectives that business organizations most of all should aspire to achieve relative to its competitors are the achievement of a competitive edge status and the enhancement of the performance of the firm (Raduan, Jegak, Haslinda & Alimin, 2009). Warugu (2001) in his opinion stated that these strategies give opportunities for the business enterprise to
react to the different challenges within the environment it operates. In accordance with Kiptugen, (2003), some of the growth strategies that a business enterprise may adopt include: setting measuring market standards, successful communication strategy, positioning market segmentation, understanding customer expectation, human resource strategy, service and relationship marketing.

SALES VOLUME
Sales volume is the amount of units sold within a reporting period. This figure/amount is examined and tracked by investors to ascertain if a firm is growing or collapsing. Sales volume within a business may be examined and tracked at the product, product line, customer, subsidiary, or sales region level. Sales growth targets play a pivotal role in the judgement of top managers. The large majority of growth studies are exclusively concerned with one-dimensional growth measures, most often sales growth or growth in number of employees (Delmar, 2006). With the use of surveys, Hubbard and Bromiley (1994) identified sales to be the most frequently mentioned objective by top/senior managers. Brush, Bromiley, and Hendrickx (2000), proved that sales growth is influenced by factors that range from internal motivation to promotion and retention of talented employees all the way to the implied opportunities for investments in new equipment and technologies that upgrade the production process as a whole.

PROFIT MAXIMIZATION
Profit maximization is the overriding goal of all small and medium enterprises. Without profitability, firms will not survive and grow in the challenging and competitive environment that they are operating today. Different theoretical perspectives suggest different outcomes for the relationship between growth and a firm's financial performance. One perspective suggests that growth should be positively associated with profit maximization. This is brought forward in literature streams relating to economies of scale (Besanko, Dranove, Shanley, & Schaefer, 2009), experience effects (Stalk & Stern, 1998), first-mover-advantages (Lieberman & Montgomery, 1988) and network externalities (Katz & Shapiro, 1985). These theories suggest that growth drives profit maximization due to reduced costs or by instituting a better market position (Davidsson et al., 2009) and “that in the midst of such positive feedbacks, firms should pursue an aggressive strategy in which they seek to grow as rapidly as possible (Oliva, Sterman, & Giese, 2003) in order to ensure high firm performance in competitive markets.

RELATIONSHIP BETWEEN CORPORATE STRATEGY AND GROWTH OF SMALL AND MEDIUM ENTERPRISES
Corporate strategy is concerned with the growth and profit performance of a firm. Consequently, the strategy determines the businesses in which a firm competes and how the business units structure and take care of their activities to enhance and advance a firm's competitive position. In the past, many firms have not excelled in strategic management. For example, most product and
institutional innovations have been made by outsiders.

A classic study by the Brooking institution underlines the jugular role of strategic management of the 100 largest corporations in 1990; only 38 were left in 1948. This study notes: “The majority of the companies included among the 100 largest of our day have attained their position within the last two decades. They are companies that have started new industries or have transformed old grown in absolute terms but have attained an improved position in their industry may be identified as companies that are notable for drastic changes in their product mix and methods, generating or responding to new competitors.

There is no rationale to judge and accept that those now at the top can remain there any more than did their predecessors, short of alert participation in continuous product and market development”. The explanation for these events is that for many companies strategic management is a painful and unnatural process. The evidence indicates that there is a decision imbalance in many business enterprises, administrative and operation decisions preempt management's concern with strategic issues.

Correspondingly, the destines of many firms depend more on momentum than on strategic planning, though past results indicate that this is a risky posture. Henderson (1964) summarized the problem of lack of corporate strategy as follows: For too many companies life consist of working very hard to make small difference in performances produce small differences in profitability.

The really significant alteration in corporate fortunes, nevertheless, depends upon those comparatively few key and basic decisions that govern and decide the chances of success. Decisions that helps the company to confront and battle corporate wars with its greatest and superior weapons not those of competitors, and help it to decide and choose the time and place where competitive strength really counts.

Business survival in the prevailing economic situation needs a well thought out plans that keep the business afloat in face of all odds. Organization needs to develop well competitive strategies and strive to defend the competitive advantages for survival and profitability. (Lagos Chamber Business News (2000), Management (Volume 2.).

CAUSES OF SMALL AND MEDIUM ENTERPRISES FAILURE
Small and medium enterprises failure is the final stage of an organization's life cycle. Organizational decline, resulting to failure is identified and particularized by management who has become reactionary. The result is always insufficient or nonexistent planning and inefficient decision-making relating to strategy.

The increasingly common reasons for SMEs to lag behind and underperform (low productivity, low profits) or fail (bankrupt, cease being) include poor strategic planning, absence of performance monitoring, problem of mismanagement of resources, lack of awareness or use of performance monitoring information, lack of financial skills and planning, failure to innovate,
poor inventory management, poor communications within the organization as a whole, failure to recognize own strengths and weaknesses and poor cash flow management.

COMPETITION
In recent time, we have witnessed unhealthy rivalry in almost all aspect of commerce. In fact, competition is more common among businesses presently in Nigeria. Competition is the rivalry between firms that are involved in the selling of same products and services with the aim of maximizing revenue, profit, and market share growth. Market competition motivates firms to increase their sales volume with the aid of the four components of the marketing mix, also known as the four P's.

These P’s means product, place, promotion, and price. For firms to know and understand their competitors is a crucial step in designing a successful marketing strategy. Firms that are not in the know of who their competitors are and knowledgeable about their strengths and weaknesses, are likely to suffer from the possibility of survival and growth as other firms could enter the picture and offer a competitive advantage, such as product offerings at lower prices or value added benefits.

TYPES OF MARKET COMPETITION
Competition for market position has been increasing in the recent economy, likewise the number and commonness of collaboration among competitors. Peter Drucker (1968) suggests that the collaboration dynamic of networks, partnership, and joint ventures is a major and key organizing principle in the new economy. Kollat and Robeson (1999) identified four potential types of competitions that firm faces which covers (1) Intratype Competition, (2) Intertype Competition, (3) Vertical Marketing System Competition, and (4) Total System Competition.

METHODS OF MEASURING MARKET COMPETITION
The Progressive Policy Institute (1998) identified two measures of competition. These are (1) The total numbers of enterprises. (2) The overall number of stocks trading in the stock exchange market. The overall number of enterprises has constantly increased and the number of enterprises (per adult) consumer has constantly increased since 1991.

The number of issues trading on the Nigeria stock Exchange has almost tripled in the past two decades. The average price mark up over ratio in manufacturing in Nigeria also suggests a more competitive environment. This has decreased significantly in Nigeria suggesting that increase competition has held down prices.

PROFITABLE AND SUSTAINABLE GROWTH STRATEGIES IN A COMPETITIVE MARKET
Growth has been seen as a principal objective of any organization without regard to whether it has been structured to increase profit or not. Growth remains the only adequate and acceptable
measures of the managerial ability and proficiency of the professionals involved in the daily running of the business.

Nonetheless, profitable growth in business has become very strenuous to accomplish and sustain in this unstable and turbulent economy, and many organizations have invested in several growth projects that later failed and became unsuccessful. Johnson and Jones (1958) identify eleven different strategies that can be adopted by firms for its survival and growth in a competitive business environment.


APPROACHES TO FORMULATING CORPORATE COMPETITIVE STRATEGY
The corporate competitive strategic planning process consists of the following steps: (1) Formulating the corporate mission and specifying corporate objective. (2) Analysis of the current status of the company by conducting a strategic audit. (3) Examine the prospect for the future. (4) Set the future course by comparing strategic alternatives and making a choice by taking into consideration. (5) Prepare a written corporate strategic plan. (6) Putting the corporate strategic plan to work and evaluating/controlling the strategy.

STRATEGY DEVELOPMENT AND IMPLEMENTATION
Strategy development refers to the processes by which strategy are formed. Minizberg (2001) suggests the three different ways which includes: (1) they are conceived as the entrepreneurial insight of one individual, (2) they developed in an ad hoc manner as a consequence of the organization reaction to current problem or (3) they develop as a result of systematic planning and analysis.

Fig. 3: Formulating a Strategy
Formulation of strategy is a productive and systematic process. It is a process because specific tasks are carried out in a sequence over a period of time. The process comprises a number of tasks and their analysis to reach a decision. The formulation of strategy drives firms to scrutinize the prospect of change in the foreseeable future and to prepare in advance for change rather than to wait passively until market forces compel it. Strategic formulation allows the firm to plan its capital budgeting.

CONCLUSION
There has been a momentous rise in the number of SMEs failures. These failures are due mainly to competition in business activities and environment. SMEs are facing interesting and dynamic challenges. SMEs as a necessity need strategic thinking and only by developing good and effective corporate strategies can they become and remain strategically competitive. The economic situations characterized by recession and competition as it were are presently threatening the existence and survival of large number of corporate establishments and such establishment need to realize and understand the need for them to wake up from their current state if they must continue to exist, survive and remain productive in the close future. The onus is on the stakeholders especially the management to make certain that they consider the use of the recommendation as stated so as to stay afloat in a competitive business environment.

RECOMMENDATIONS
The study shows that competition in recent economy is a reality. Hence:

• The management of Small and Medium Enterprises should be proactive in their operations.
• They must not allow the competitors to overtake them unaware.
• The management of SMEs must adopt corporate strategy that will position the organization in a place that will be difficult for competitors to retaliate.
• Every organization as a matter of policy must have a corporate mission and goals that will challenge and motivate it to higher performance.
• The firm must be customer focus.
• The management of SMEs as a matter of necessity must adopt strategies to secure customer loyalty over a lengthy period of time.
• Market research should be carried out to identify and satisfy the customer needs.
• Corporate strategies should be reviewed regularly. Also, they must strive to keep back old customers and get new ones.
• The Total Quality Management strategy must be embraced by any firm that wants to grow in a competitive market. The quality must meet and conform to international standard to help the firm’s product compete effectively and favorably in the global market.
• Effective delivery and distribution system must be accepted and used to battle and overcome any bottleneck in getting the product to the final consumers.

REFERENCES


Resource Development Centre.


