
STRATEGIC THINKING AND PERFORMANCE OF SMALL AND MEDIUM-SCALE ENTERPRISES IN SOUTH-SOUTH NIGERIA

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ABSTRACT

The study examined the effect of strategic thinking on performance of SMEs in south-south Nigeria. The specific objectives of the study are to evaluate the effect of dimensions of strategic thinking (opportunity utilization and decision-making) on performance of SMEs. The study adopted a descriptive research design and formulated two research hypotheses to guide study. Primary data for the study was collected from 366 respondents using a structured questionnaire; while the hypotheses were tested using Pearson Product Moment Correlation statistic with the aid of Statistical Package for Social Sciences (SPSS) version 22. The study found that strategic thinking (in terms of opportunity utilization and decision making) has very strong, positive and statistically significant influence on performance of SMEs. The study concludes that the performance of SMEs is dependent on strategic thinking in terms of opportunity utilization and decision making; and that strategic thinking positively influences performance of SMEs. Thus, the study recommends that operators of SMEs (especially stationery stores) that desire to achieve improved performance should adopt strategic thinking as a culture and make decisions proactively, while also being alert to utilizing opportunities that may presented by environmental trends.

Keywords: Decision making, opportunity utilization, SMEs' performance, strategic thinking

INTRODUCTION

The history of science and business is full of examples of discovery based on creative thinking, and an entrepreneur can approach many practical business and managerial problems by this method (Ngige, 2016). It is what an individual is able to fathom and think out that direct their decision-making. In other words, wrong decisions will yield negative results; and if an entrepreneur cannot fathom anything reasonable within the business environment, the entrepreneur is without objective although they may be engaged in business activities. One of the critical fundamental issues is that most of small and medium enterprises (SMEs) owners and operators perceive strategic thinking as a multinational practice or affair. In their view, strategic thinking is practicable only in big organizations, and this thought and belief has over the years, truncated or hindered the growth, development and effective performance of SMEs in our business environment and has negatively affected industrialization in Nigeria. The absence strategic thinking principles make it difficult for SMEs to create and sustain competitive advantage and also result high failure rate of SMEs. Bonn (2001) states that strategic thinking is important for efficient management of (private and public) firms, but that it is often absent or poorly done in most firms, especially SMEs. Strategic thinking provides for right sense of direction, specifying organizations' objectives, and plans designed to achieve them. A wrong conception or perception of strategic thinking leads to wrong decision-making, which in turn, leads to specification of wrong objectives. For the past 25 years, studies have identified top

leaders' lack of strategic thinking as a major detractor of organizational performance (Bonn, 2001).

SMEs have over the years had a wrong conception and bias mindset toward adopting strategic thinking practice, and some of them are ignorant of what this practice is all about. This has equally made so many entrepreneurs to remain in a cycle for decades without moving forward in their businesses. On the other hand, academics and practicing managers have developed numerous models and framework to assist in strategic thinking and decision-making in the context of complex environment and competitive dynamics (Gheawat, 2012). However, there is no convergence or consistence among researchers on the topic. Sanni (2015) states that a negative relationship exists between strategic thinking and organizational performance, while Ogboma (2017) opines that a positive relationship exist between them. The divergence therefore calls for further studies on how strategic thinking should feature in the development of SMEs, especially in the area understudy.

The main objective of this study therefore, is to examine the effect of strategic thinking on the performance of SMEs in South-South, Nigeria. The study decomposes strategic thinking into opportunity utilization and decision-making; while SMEs' performance is treated unidimensionally. The following hypotheses are formulated to guide the study:

Ho₁: Opportunity utilization has no significant positive effect on the performance of small and medium scale enterprises in South-South Nigeria.

Ho₂: Decision-making has no significant positive effect on the performance of small and medium scale enterprises in South-South Nigeria.

REVIEW OF RELATED LITERATURE

Strategic Thinking

Strategic thinking is a creative, visionary and reflective process that provides a broader and better knowledge of the organization and its business and allows a general improvement of the organization in the short- and long-terms. Scholars agree that organizations blessed with strategic thinkers do not easily get outcompeted. Any organization that thinks strategically also plans strategically and there is a provision for the execution of plans that have been contrived via creative futuristic processes (Marcelo, 2017). Strategic thinking is thus the creative ability in an individual that enables understand business opportunities and predict the future; and avoid pending dangers in the business environment. This provides overall direction to the enterprise and involves specifying the organization's objective, developing long-term policies and plans designed to achieve these objectives, and then allocating resources to implement the plans (Adebisi et al., 2016). Strategic thinking is multidimensional. In this study, we decompose it into opportunity utilization and decision-making.

Opportunity Utilization and Performance of SMEs

Opportunity utilization describes a firm's response to opportunities identified in the environment, by creating new products, processes or business models. Tempelmayr et al., 2019 as cited in Ateke & Nwulu, 2021) states that opportunity utilization focuses on business decisions that borders on selecting appropriate business models and marketing actions to take advantage of identified business opportunities. It involves assessing and selecting and exploring current and emergent scenarios that promise growth and sustainability (Ateke & Nwulu, 2021). Opportunity

utilization is a key component of strategic thinking. Strategic thinkers are proactive in identifying and utilizing opportunities. Every true entrepreneur desire to be an opportunity utilizer; and exploits both human and natural resources they have contact with. To the entrepreneur, every opportunity provided by the business environment must be exploited (Jared, 2019). Opportunistic entrepreneurs are good at scanning the market and typically drive to achieve financial gains; and have strong need for recognition and approval (Steenberg, 2018). Opportunity utilizers are also positive and creative thinkers. Ngige (2016) posits that 62 per cent of those engaged in entrepreneurial activity in the United States are opportunity utilizers, those who start businesses because they spot opportunity in the market place.

In addition, opportunistic entrepreneurs are expansion thinkers. They are willing and able to expand their businesses and to engage in long-range planning to accomplish their goals (Ngige, 2016). Achievement in this regard is dependent on individuals' willingness and readiness to take advantage of opportunities. Most venture capitalist we have around us today both Nigeria and outside our country are not carrying plenty degrees. Opportunity utilization is thus dependent on individuals' mindset and determination to succeed. Opportunistic entrepreneurs are not like the necessity entrepreneurs. When compared to opportunity entrepreneurs necessity entrepreneurs are just those who start business because they cannot find work (Ngige, 2016). It is like starting business because of condition of life, but opportunistic entrepreneurs sees every condition and situation of life as an opportunity.

Decision Making and Performance of SMEs

A decision is a course of action selected from alternative courses of actions. It represent the process by which entrepreneurs determine what they going to do, and when and how they are going to accomplish it. An entrepreneur that is not involved in decision-making is a hopeless business man or investor because decisions guide proper actions. Managers' approach to decision-making has been a subject of considerable curiosity and research (Nwafor, 2007) due to the fact that the decisions managers make have profound impact on the success of their organization. Decision-making is therefore a fundamental aspect of managerial responsibilities that must be approached systematically. Yet, it is often argued that the decision-making processes of SMEs are usually unsystematic and informal because owner-managers generally make decisions in response to specific opportunities and circumstances. This procedure seems to be chaotic and at the mercy of the personal and business priorities of the moment (Fernandez de Lucis et al., 2000). The ability of decision-makers to choose the best option that is capable of advising the set objective or solving problem demand structured decision guidelines (James & Edwin, 2017).

Scott and Bruce (1995) conceive decision making style as the learned habitual response pattern exhibited by an individual when confronted with a decision-making situation; categorized decision-making styles into five major categories: rational, intuitive, dependent, avoidant and spontaneous decision-making styles. Rational decision-making is characterized by evaluating alternative situations while intuitive decision-making is characterized by feelings. Scott and Bruce (1995) further described dependent decision making as being characterized by directive advice from others; avoidant decision making as characterized by wanting to avoid decision-taking (not having interest in taking decision); and spontaneous decision making as being characterized by taking sudden and impulsive decision. Spontaneous decisions are often made in emergency situations.

Empirical Review

Manurung and Kosasih (2013) examined SMEs' strategic thinking and strategic management accounting (SMA) in Indonesia and submitted that through the use of strategic thinking and management accounting, in which the pricing, cost, sales volume, and market share of the enterprises to gain competitive advantage in both the local and global market. Positive relationship exists between strategic thinking, management accounting and SMEs. Luca and Ibrahim (2016) on their part examined strategic thinking as it affects firm performance in the Nigeria context. They reported that a positive correlation exist between strategic thinking and firms' performance of private and public enterprises.

Also, Ogbonna (2017) investigated the impact of strategic thinking and strategic planning on performance of selected firms in South-East Nigeria and found that a positive relationship exists between strategic thinking and organizational performance. In addition, a study by Mohammed and Susan (2015) found that knowledge transfer, applying knowledge and knowledge sharing impacts strategic thinking; while Sanni (2015) examined the role of strategic thinking in SMEs' growth and sound that strategic thinking (in terms of decision-making and thinking abilities of entrepreneurs) relates of growth of SMEs.

METHODOLOGY

This study adopted a descriptive research design. Primary data was sourced using a structured questionnaire. The study was conducted in South-South Nigeria consisting Akwa-Ibom, Cross-River, Bayelsa, Rivers, Delta and Edo States. The target population of the study includes SMEs operating stationery stores. To make the selection reasonable, stratified random techniques was employed to group the population into strata or sub-groups- Akwa-Ibom, Bayelsa, Cross River, Delta State, Edo and Rivers State, with a focus on stationery stores that have existed for not less than five (5) years; and that are registered with the Corporate Affairs Commission (CAC) and Ministry of Commerce and industry of their respective states. Thereafter, 366 copies of the questionnaire were distributed among the states (Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers) of the region, using a percentage ratio formula. 366 copies of questionnaire were distributed to respondents by the researcher and research assistants. The essence of research assistants is to make the coverage of the area under study easier. The questionnaire was retrieved one week after necessary responses to the questionnaire and 352 copies of questionnaire were returned and found valid for analysis. A pilot survey was conducted to test the questionnaire and collected data is tested for internal reliability. The Cronbach's alpha score for the dimension specific result ranges from 0.776 to 0.924 which is considered satisfactory. Table 1 below provides a summary of result of test of reliability. The hypotheses formulated for the study were tested using the Pearson Product Moment Correlation Coefficient with the aid of Statistical Package for Social Sciences (SPSS).

Table 1: Internal reliability test

Factor Group	Cronbach's Alpha
General Reliability Statistics	
Strategic thinking → SMEs Performance	.958
Dimension Reliability Statistics	
Opportunity Utilization	.905
Decision Making	.924

Source: SPSS output of data analysis on strategic thinking and performance of SMEs (2022).

Table 1 shows the reliability test results for strategic thinking dimensions and SMEs' performance. The general reliability test has a Cronbach's alpha score of 0.958 which is considered to have high criterion validity. Similarly, the Cronbach's alpha score for the dimension-specific result ranges from 0.905 to 0.924, which is considered satisfactory.

RESULTS AND INTERPRETATION

Table 2: Descriptive statistics and correlations between dimensions of strategic thinking and performance of SMEs

Variables	Mean	SD	1	2	3	4	5	6
1 Opportunity Utilization	2.57	1.46	1.00					
2 Decision Making	2.71	1.48	.742**	1.00				
3 SMEs Performance	1.96	1.80	.019**	.013**	.010**	.175**		

NB: ** Significance at 5% level; SD = standard deviation

Source: SPSS output of data analysis on strategic thinking and performance of SMEs (2022).

Table 2 presents a descriptive analysis for all variables in the study. The mean value for SMEs performance was 1.96, indicating that the overall level of performance of SMEs was good. The mean values for strategic thinking dimension were in the range of 2.57 to 2.71, with decision making having a higher mean value than opportunity utilization. Table 2 also shows that the dimensions of strategic thinking have a positive correlation with performance of SMEs. Table 1 also shows that the coefficient of correlation values were below 0.9, meaning that there was no multicollinearity in the study variables.

Table 3: Regression results

Dependent Variable: SMEs Performance (SMEs Performance)						
Variables	R ²	Adjusted R ²	F-stat	Sig. F	Standardized S	Sig.
Strategic thinking → SME's Performance	.96	.94	74.97	0.000	-	-
Variables	Unstandardized Coefficients					
	B	Std. error	Standardized S		Sig.	
Constant	1.918	.062***				
Opportunity Utilization	.200	.049**	.162**		.00	
Decision Making	.597	.133	.489**		.00	
R-squared = .961						
Adjusted R-squared = .949						
Sum of Squares of residuals = 10415.703						
F-statistic (prob.) = 74.974 (.000)						

NB: **(*) Significance at 5% (10%) levels**

Source: SPSS output of data analysis on strategic thinking and performance of SMEs (2022).

Table 3 presents the regression results for the model. The second row represents the collective analysis which is aimed at determining how strategic thinking influence SMEs performance. The results showed that strategic thinking dimensions explained 96% of variation in SMEs performance. The model was significant with an F-statistic = 74.97 and a significant p -value = 0.00. All standardized beta coefficients were significant; showing a positive contribution to SMEs performance. The standardized beta coefficient also showed that decision-making (=

0.48), contributes more to SMEs performance, and opportunity utilization which had ($\beta = 0.16$). Both dimensions significantly influence performance of SMEs with p -values < 0.05 . Decision-making is a better contributor to SMEs performance, when compared to opportunity utilization. Through proactive and informed decision-making, SMEs perform better and become more competitive.

The study sought to examine the link between strategic thinking and performance of SMEs. The results of the statistical analyses demonstrate opportunity utilization provides a positive and statistically significant explanation of changes in the performance of SMEs. The analyses also show that decision-making has a positive and statistically significant influence on performance of SMEs. These results suggest that strategic thinking has a positive and statistically significant influence on performance of SMEs in the area covered in the study. This implies that increase in strategic thinking (in terms of opportunity utilization and decision-making) leads to increased performance of stationery stores in south-south Nigeria. This position is consistent with reports of Salina and Wan Fadzilah (2008), Mc Keen et al. (2006) and Becerra-Fernandez et al. (2004). The results also agree with report of Aved (2013) that opportunity utilization affects the performance of Web-based Learning System; and that of Gholami et al. (2013) that decision making has significant effect on productivity, performance, innovation, work relationships, and customer satisfaction.

CONCLUSION AND RECOMMENDATIONS

Any organization that has strategic thinkers is not easily thrown out of business. Based on the results obtained from the statistical analyses, the study concludes that the performance of SMEs is dependent on strategic thinking variables – opportunity utilization and decision making. In other words strategic thinking positively influences performance of SMEs, by providing room for good decision taking, proper forecasting and opportunity seizing, which promotes continuity in business despite environmental issues. Thus, the study recommends that operators of SMEs (especially stationery stores) that desire to achieve improved performance should adopt strategic thinking as a culture and make decisions proactively, while also being alert to utilizing opportunities that may presented by environmental trends.

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