EVALUATING THE FACTORS AFFECTING STRATEGIC MANAGEMENT PRACTICES IN SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA: A STUDY OF SELECTED SMES IN LAGOS STATE

FINNIH TESLIM ABIODUN
ADMINISTRATIVE STAFF COLLEGE OF NIGERIA (ASCON),
TOPO BADAGRY, LAGOS STATE, NIGERIA
Email: Fintex2001@gmail.com
Phone No.: 07032035759

BABALOLA A. PEDEPO
ADMINISTRATIVE STAFF COLLEGE OF NIGERIA (ASCON),
TOPO BADAGRY, LAGOS STATE, NIGERIA
Email: peddiekent@gmail.com
Phone No.: 09034467728

Abstract

The study investigated the internal and external factors affecting strategic management practices in Nigeria, using Lagos State as case study. The study adopted survey design and purposive sampling technique to select 200 Small and Medium Scale Enterprises (SMEs) operating in Ikeja, Badagry, Ikorodu, Lagos and Epe administrative areas of Lagos State, in which 178 SMEs responded. Self-administered questionnaires were used to generate data for the study, and the data collected were analysed with the use of survey design and purposive sampling technique. The findings showed that the leading internal factors are size of firm, technical and managerial expertise, competitive advantage, finance and quality of staff (m>3.00) as against the benchmark mean pegged as (m=2.50). In addition, the frontline external factors include industrial and economic policy of government, macroeconomic environment, nature of business environment, political conditions and influence of market leader(s). The study recommended that SMEs should form strategic partnership with large and multinational firms. Furthermore, they should separate personal affairs from business affairs and stop putting friends and family members in key positions. This will enable them to take necessary actions to improve managerial practices in their businesses.

Keywords: Strategic Management, Small and Medium Scale Enterprises, Nigeria, Businesses

Introduction

Strategic management can be likened to a map that guides a motorist to successfully arrive at a destination. Every organization aims to grow, expand and develop, hence the need to plan strategically to ensure the accomplishment of desired goals. The use of strategic management practices have been adopted by the world of management as a tool for stimulating the performance of Small and Medium Enterprises (SMEs). Organizations, big or small, have adopted the use of strategic management to ascertain the strategies that will result into increased performance and enhanced competitive advantage. Strategic management is capable of expanding the existing size and capability of a firm (Yakubu, 2011). Experts in the area of strategic management have advocated its implementation in every organization (Ikareharehon, 2016). The key to the successful acquisition, distribution and processing of resources by an organization depends greatly on the adoption of strategic management practices. (Abosede, 2016) maintained that strategic management helps to enhance the organizational performance, provide effective measures to address environmental challenges, aids change management and equally help to tackle human resources challenges. (Njeru, 2015) added that strategic management is used to predict changes in the environmental factors that might arise unexpectedly.

Majority of SMEs involved in strategic management focus more attention on drafting mere paper plan, but exert less energy on the implementation of the plan to achieve concrete results. SMEs generally do not adopt formal strategic planning and even those who try to plan strategically do so irregularly and inconsistently (Abosede, 2016). The practice of strategic management by SMEs has been found to be unstructured, inarticulate, inconsistent and informal. (Chen, 2007) contended that information which drives strategic management practices in SMEs is obtained through informal sources, which might not be authentic. Most times, owners of SMEs engage in informal strategic thinking as a result of lack of cost, poor business acumen, low level of education and poor technical know-how of owners/managers.

Statement of Problem

The principal objectives of SMEs in every economy are to foster economic growth, generate employment and alleviate poverty (Adeyemi, 2014). However, SMEs have been effectual in advanced economies but reverse is the case in developing economies. Over the years, SMEs in Nigeria have been performing below expectation due to series of challenges confronting them, such as infrastructure deficiencies, poor financing, harsh business environment, unfavourable economic and industrial policies of government, multiple taxation, lack of proper documentation of records and inability to separate self from business entity. It has been pointed in literature that poor performance of SMEs in Nigeria could be attributed to the non-adoption or poor implementation of strategic management. Some SMEs lack knowledge about strategic management, while those who are aware of it, are not appropriately implementing it. Majority of SMEs in Nigeria have cold attitude towards creating effective strategy to stimulate performance (Dauda, 2010). Also, there are varied attitudes towards the implementation of strategic management among SMEs in Nigeria, and this could be one of the reasons behind their poor performance.

There have been empirical evidences as regard the successful implementation of strategic management practices by large corporations and multinational firms while there is paucity of evidence with respect to SMEs especially those domiciled in emerging economies. To the best of the researcher's knowledge, no studies have been conducted to investigate the factors affecting strategic management practices among SMEs in Lagos State. This however prompted the need for the study in a state widely recognized as the commercial nerve center of Nigeria.

Objective of the Study

The broad objective of the study is to empirically investigate the factors (internal and external) that affect strategic management practices among some selected SMEs in Lagos State, Nigeria. While the specific objectives are to:

1. examine factors that affects SMEs in Lagos State
2. determine the role of strategic management practices among the selected SMEs in Lagos.

Literature Review

Strategic Management

(Ramachandran, 2006) defined strategic management as the development of sustainable competitive advantages by an organization leading to creation of value. (Chen, 2007) stated that strategic management involves harnessing and taking advantage of opportunities that is available to a firm. (Kinyua, 2016) contended that strategic management is all about identifying variations in the performance of organizations by assessing their efforts to create competitive advantages, which greatly determines their capacity to create value. (Abosede, 2016) averred that strategic management refers to the act of formulating and implementing the organizational goals and policies by the firm's management on behalf of the shareholders, premised on the availability of resources and the evaluation of internal and external environment where the firm operates. Strategic management provides direction to an organization how to achieve its stated objectives. It encompasses the formulation of objectives, developing sustainable measures and policy framework to achieve the objectives and allocating financial and non-financial resources to execute the plans. It helps organizations to formulate sound business decisions by making them more sensitive to the threats and opportunities. Strategic management helps an organization to be swift in executing formidable plans given the uncertainty and dynamics of business environment especially in emerging economies (Ikareharehon, 2016).

Strategic management refers to set of decisions and actions that sharpen the establishment of potent strategies to help a firm accomplish its corporate objectives. (Irefin, 2017) reported that strategic management focuses on relating a firm to its environment on a consistent basis, formulate appropriate strategies to sustain the relationship between a firm and its environment and implementing strategies and evaluating and controlling to ensure that strategies are appropriately implemented to yield expected results. Strategic management hints the firm about the future consequences of its present decisions. Strategic management has its pitfalls. The demerits of strategic management as identified by (Ogundele, 2008) are it requires longer period of time and efforts, it tends to be more rigid, might be unable to accurately predict the business environment due to its dynamic and uncertain nature and it requires heavy financing. This justifies why majority of SMEs in Nigeria are at the planning stage because they lack the financial, managerial and technical capacity to implement strategic management.

According to (Ogundele, 2008), strategic management is into five aspects namely setting of goals, analysis, formulation of strategy, implementation of strategy and monitoring of strategy. The synergy of these five aspects differentiates strategic management from operational management, strategic planning and long-term planning. Strategic management thus involves the integration among these five aspects. There are divergent approaches to strategic management in the process of decision-making of firms, because firms vary in terms of type of strategy formulated whether formalized, unstructured or informal and kind of business environment whether simplified or complex. These divergences inform firms as regard to the approach they would adopt. According to (Kinyua, 2016), the approaches to strategic management open to firms are adaptive, planning and entrepreneurial. The entrepreneurial approach is considered superior because it requires a high level of foresight to be able to predict opportunities and threats in the business environment where an enterprise operates.

(Gareth, 2012) opined that strategic management can be dissected into two parts namely formulation of strategy and implementation of strategy. The formulation of strategy involves evaluating the internal and external environment in which a firm operates, then formulating strategic decisions that will help such firm to compete in its environment. The formulation stage stops when the goals, measures and initiatives which the firm is meant to pursue is developed. At the formulation stage, the environmental analysis can be classified into three parts namely internal environment, external environment and industry environment (Mintzberg, 1995). Internal environment is concerned with the strengths and weaknesses of the organization. External environment captures political, cultural, economic, legal, geographical, financial and technological factors that can affect the operations of the firm while industry environment encapsulates competition from rivals, new entrants into the industry, cost-competitiveness of firm's products relative to rivals and activities of supplier and customers. The second part, which is strategy implementation, focuses on how organizational resources will be utilized towards the accomplishment of organizational objectives. Implementation of strategy delves into the process of structuring the available resources to meet firms' objectives so as to achieve the goals for which the organisation is established.

Vision, Mission, Goals and Objectives

The Vision, Mission, Objectives and Goals of any organisation plays an important role in the success of any business enterprise both in the short run and long run.

Vision

(Miller, 1996) defined vision as the category of intentions that are broad, all inclusive and forward thinking". It has two components; Core ideology which rest on core values and core purposes and Envisioned future which is a long term audacious goal and a vivid description of achievement. It serves the purpose of stating what an organisation wishes to achieve in the long run. This is a big picture of what you want to achieve or become. According to

(Kotter, 2012) Vision is something (an organisation, corporate culture, a business, a technology, an activity) in the future.

Mission

Mission is a general statement of how you will achieve the vision. (Harvey, 1990) states “A mission provides the basis of awareness of a sense of purpose, the competitive environment, degree to which the firm’s mission fits its capabilities and the opportunities which the government offers. The mission states the role an organisation plays in the society. According to (Hynger, 2011), mission is “the purpose or reason for the organisations existence”. A mission should be feasible, distinctive, precise, dynamic, clear, motivating has social linkage, and indicate how objectives are to be accomplished.

Goals

A goal is simply what you want to achieve and it is broad in nature. It is a landmark in the process of implementing a plan and it must be focused on the important aspects of implementing the plan. Goals must be designed in a way that it does not interfere and contradict each other, and it must be understandable, suitable, acceptable and flexible. They are set for a longer future than objectives and they are never quantified.

Objectives

Objectives is the end results a business want to accomplish by making a plan for a selected period of time. It states what is to be achieved in a given time period. Objectives provide specific milestones with a specific timeline for achieving a goal. It turns a goal’s general statement of what is to be accomplished into a specific quantifiable, time-sensitive statement of what is going to be achieved and when it will be achieved. Objectives must be Specific, Measurable, Achievable, Realistic and Time Bound (SMART). Moreover, Objectives must be defined clearly so that the works become goal oriented, while the unproductive ones are avoided. Objectives are specific and quantifiable in nature.

SMEs in Nigeria: Concept, Characteristics, Importance and Challenges

There is no consensus on the definition of SME, because classifying businesses in terms of asset base, size of workforce, technological advancement, capital employed and net-worth cannot be subjectively measured as economies of countries differs and each economy establishes its own standard for defining SME**.** (Okekeke, 2009) viewed SME as a private or jointly-owned business, which is owned and funded by the owner(s) and its equity is not publicly traded. (Ebringa, 2011) described SME as an enterprise that has employment capacity ranging between 10 to 300 personnel and a maximum asset base of ₦200 million. (Eniola, 2015) defined SME as any entity that has less than 50 employees and total assets less than N50 million. The Small Scale and Medium Enterprise Development Agency of Nigeria (2012) classified micro, small and medium enterprises with respect to employment size and asset base. According to them, a micro enterprise has less than 10 employees and less than ₦5million asset base. A small enterprise has an employment size between 10 and 49 employees and asset base between ₦5- ₦50million and a medium enterprise has a workforce between 50 and 199 employees and asset base between ₦50 – ₦500 million. The Central Bank of Nigeria differentiated small enterprises from their medium counterparts. The employment size of small enterprises is less than 50 and that of medium enterprises is less than 100. Also, the asset size of small and medium enterprises are less than ₦1 million and ₦150 million respectively.

(Isa, 2013) enumerated the peculiar characteristics of SME. Firstly, the owner(s) takes the production, financing, sales and marketing decisions and also bears the risk of the firm. Secondly, capital is financed mostly from personal savings, profits from business and borrowings from family and friends. Thirdly, SMEs operate to meet the immediate demands of their host communities and the business operates without the knowledge of wider markets. Fourthly, inability to keep proper records of finances emanating from the lack of will to separate personal self from business entity and lastly, the owner(s) tend to be conservative and reluctant to reveal vital information about the business arising from fear of inviting unwelcomed tax investigations.

SMEs serve as a catalyst for economic growth, poverty alleviation, employment generation and wealth creation. SMEs provide promising alternatives for countries to fasten their level of industrial development. SMEs provide opportunities for harnessing local skills and acquiring new technologies (Ijir, 2015). SMEs serve as a training avenue for equipping local entrepreneurs and enhance the managerial expertise of potential and actual entrepreneurs. SMEs help to improve the standard of living of the populace and generate foreign exchange for economic development (Adisa, 2014). The Small and Medium Development Agency of Nigeria in its national policy on

Micro, Small and Medium Enterprises (MSMEs) assert that MSMEs provides employment generation, wealth creation, poverty alleviation and growth to the Nigerian economy. Anywhere in the world, SMEs are the largest employers of labour. They create more jobs per unit of investment than large corporations. They provide substantial amount of local capital formation and help to enhance the level of competition, invention, innovation, efficiency, productivity and capability. (Osotimehin, 2012) opined that SMEs provide opportunities for entrepreneurial sourcing, training, development and empowerment.

SMEs in Nigeria have performed below expectation over the years due to plethora of challenges bedevilling them. (Agwu, 2016) pointed that the challenges militating the performance of SMEs in Nigeria are infrastructure deficiency, lack of proper documentation of records, inadequate financing, lack of business succession plans, lack of formidable business strategy, inadequate experience and skill in management and poor market research. (Adisa, 2014) classified SMEs challenges in Nigeria into internal and external factors. Internal challenges include low working capital, inability to procure sufficient amount of raw materials, competition from large firms in the industry where SMEs operate and illiteracy of owner(s). Also, the external challenges are political instability, economic instability, multiple taxation policy, tough business environment and government policy inconsistencies amongst others.

Theoretical Review

Quite a number of theories have been developed on strategic management in literature. The frontline theories are ownership theory, resource-based theory, survival-based theory and Porter’s five forces model.

The ownership theory claimed that the skills of SMEs owners/managers are germane to the progress and development of the firm. The principal strategist of firms at small and medium scale level is the owner/managers. SMEs owners/ managers are responsible for making key decisions, bear the burden of the firm, map out the vision and mission statement of the firm and outline veritable procedures of achieving organizational targets. The attitude and entrepreneurial orientation of SMEs largely determines the choice of firm’s strategy as well as its approach to execution of strategy (Abosede, 2016).

The survival-based theory is the strategy used by firms to ensure continuity in operations. The theory stressed that business owners and managers must have sound intellectual capacity and sharp business acumen to be able to resist threats and intimidation from competitions, and survive in the industry where it operates. According to (Brian, 2006), firms must cultivate the habit of consistently adapting to its competitive environment so as to survive as there are always new attitudes, discoveries, innovations and inventions about the business environment year-in and year-out.

The resource-based theory posited that firms gain competitive advantage though the optimization of its internal resources. The degree at which a firm utilizes its tangible and intangible resources at its disposal determines the strength of its competitive advantage. Competitive advantage emanates from the unique resources and capabilities of a firm owned and these resources have the capacity to create competitive advantage and improved organizational performance (Barney, 1995).

The Porter five-force model was developed by Michael Porter in 1980. The model explained the five competitive factors that influence the strengths and weaknesses of every organization. The model analysed why different organizations in the same industry have varying levels of profitability. The model provides an analytical framework to measure and assess the competitive strength and position of an enterprise. The five-force model analysed the industrial structure and corporate strategy of different organizations. The forces are used to determine how competitive, viable and attractive a firm, market, sector or an industry is, with respect to its profitability (Kinyua, 2016). The five-forces are competition in the industry, potentials of new entrants in an industry, power of suppliers, power of customers and threat of substitutes. These forces enables firms in an industry to identify the areas that will be profitable to them, makes firms with conflicting interests to communicate and ascertain the reactions of competitors, customers and distributors.

Empirical Review

Empirical evidences have been provided as regard to the importance of strategic management to SMEs in Nigeria and Diaspora. (Kinyua, 2016) explored the role of strategic management factors on the growth of SMEs in Mombasa County, Kenya. The study sought the effect of strategic planning, strategic training and strategic resource allocation on growth of SMEs in Mombase District. The sample of the study comprised 128 SMEs drawn from seven industries. Questionnaire was used to generate data for the study, and was analysed with the use of descriptive statistics and regression analysis. The study found that strategic planning, strategic training and strategic resource allocation positively and significantly influences the growth of SMEs in Mombase County. (Ikareharehon, 2016) investigated the strategic factors that are important to the development of SMEs in Nigeria. Priority was placed on the factors that are yet to be inculcated in the plans and management of SMEs. The study randomly selected 97 SMEs in Abuja Metropolis. The study used self-administered questionnaire to solicit information from respondents. The descriptive statistics was employed for analysis of data. The results indicated that insufficient capital, infrastructure deficiencies, inadequate fiscal incentives, technological and knowledge contribution and problem of inheritance and succession are the strategic factors that affect the development of SMEs in Nigeria. Hence this forms the basis for adoption in Lagos State.

(Sandada, 2014) investigated the dimensions of strategic planning adopted by SMEs in Africa. The study also investigated if there are significant differences in strategic planning practices amongst SMEs in terms of gender. The sample of the study comprised 200 SMEs in Gauteng Province. Questionnaires were administered to owners/managers of selected SMEs to generate data, and were analysed using factor analysis and Mann-Whitney test. The results indicated that the dimensions of strategic planning applicable to SMEs are environmental scanning, mission and vision, formality of strategic plans, informing sources, evaluation and control, implementation incentives, employee participation and time. Also, the results showed no significant differences in terms of the strategic planning dimensions of SMEs based on gender. (Irefin, 2017) examined the impact of strategic management on the performance of SMEs in Nigeria, with respect to sales, profit and competitive advantage. The sample of the study comprised 120 SMEs in Lagos State. Data collection was made possible through questionnaire and oral interview. Data collected were analysed using descriptive statistics and chi-square technique. The findings revealed that strategic management significantly enhance the competitive advantage, sales growth and profitability of SMEs in Nigeria. The study maintained that strategic management is critical to the sustainable development of SMEs in Nigeria.

(Tunji, 2014) assessed the strategic management practices of SMEs in the construction sector in Lagos. The study adopted the quantitative research design. The sample of the study comprised 47 SMEs firms in construction sector in Lagos. The study made use of primary data and was analysed using descriptive statistics. The results showed that selected SMEs have their strategies for managing their business activities, in which most of them review their strategies annually. Differentiation strategy is commonly used by selected SMEs to gain competitive advantage in the construction industry. The ability to identify potential competitors, political instability, economic instability, inadequate infrastructures and dearth of experts and professionals are the leading SWOT of SMEs in the construction sector. (Dauda, 2010) examined the relationship between strategic management practice and corporate performance of SMEs in Lagos Metropolis with respect to profitability and market share. The study sampled 140 SMEs using the stratified sampling techniques. Data was solicited by administering questionnaires to owners/managers of SMEs, and the data was analysed using the descriptive statistics and Pearson correlation technique. The results showed that strategic management has significant relationship with profitability and market share of selected SMEs.

(Ragui, 2013) examined the managerial practices on the implementation of strategic plans by SMEs in Nairobi, Kenya. The sample of the study comprised 96 SMEs in Nairobi. The study made use of quantitative and qualitative data, and was analysed using descriptive statistics and regression analysis. The results showed that the managerial practices adopted by SMEs are planning, organizational, leadership, control and staffing practices. Also, it was found that managerial practices have significant impact on the implementation of strategic plans by selected SMEs. (Njeru, 2015) investigated the strategic management practices adopted by SMEs in Kenya. Strategic management practice was measured by strategy formulation, strategy implementation and strategy evaluation. The results showed that strategic formulation, implementation and evaluation positively influences the performance of SMEs with respect to return on asset. However, strategy evaluation is the only variable that has significant impact on SMEs performance.

Methodology

The study was conducted in Lagos State. Lagos State is located in the South-West geopolitical zone of Nigeria. Lagos State inhabits the highest number of SMEs in Nigeria (Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Report, 2016). The study employed the descriptive survey design to collect information directly from 200 SMEs owners/managers. The survey design and purposive sampling technique was used to select 200

SMEs from the five administrative centers (Ikeja, Epe, Lagos, Badagry and Ikorodu) of Lagos State.

The study used self-administered questionnaire to collect data from owners/managers of selected SMEs in Lagos State. The questionnaire was divided into three parts. The first part supplied information on the firm-characteristics of SMEs. The second part supplied information on the internal factors affecting strategic management practices amongst SMEs. The third part concentrated on the external factors. The data collected were analysed using Mean and Standard Deviation descriptive statistical technique.

Presentation of Results

Out of the 200 copies of questionnaires administered, only 178 copies were returned, giving a response rate of 89%. The results obtained from the survey exercise are presented as follows:

Table 1: Firm-Characteristics of selected SMEs (N=178)

Variables	Frequency	Percentage
Type of SMEs		
Sole proprietorship	76	42.7%
Partnership	35	19.7%
Family-owned business	31	17.4%
Limited Liability Company	12	6.7%
Construction Industry	24	13.5%
Industry of SMEs		
Manufacturing	37	20.8%
Trading	79	44.4%
Service	62	34.8%
Net-Worth of SMEs		
Less than N10 million	35	19.7%
N10 – N100 million	75	42.1%
Above N100 million	68	38.2%
Size of Workforce		
Less than 10 employees	29	16.3%
10-50 employees	81	45.5%
Above 50 employees	58	32.6%

Years of Active Operation		
Below 10 years	58	32.6%
10-20 years	83	46.6%
Above 20 years	37	20.8%

Source: Field Survey (2018)

Table 1 presented the firm-characteristics of selected SMEs. Information about the type of SMEs, industry of operation, net-worth, size of workforce and age are outlined in Table 1. The results showed that majority of selected SMEs operate sole-proprietorship form of business (42.7%). This implies that the affairs of the business is managed and controlled by one person, who is the owner. On the basis of industry, majority of the SMEs operate in trading (44.4%) and service (34.8%) sectors respectively. On the basis of net-worth, majority of SMEs, which is about 80.3%, have a net-worth above 10 million. Furthermore, most of the SMEs have a size of workforce between 10 and 50 employees. With reference to their age, 32.6% have been in active operation for than less than 10 years while 46.6% and 20.8% have been in existence between 10-20 years and above 20 years respectively. The types of SMEs affirmed the position of (Adeyemi, 2014) that majority of SMEs are one-man business. The study also shows that only (20.8%) were in the Manufacturing sector which is considered the backbone of economic development and development in general, helps in modernising agriculture, eradication of unemployment and poverty and substantial contribution to the Gross Domestic Product (GDP) has the lowest percentage (20.8%) in Industry of SMEs.

Table 2: Descriptive Statistics of Respondents' Opinions on the Internal Factors affecting Strategic Management Practices (N=178)

S/N	Factors	Mean	Standard Deviation	Decision
1.	Size of firm	3.24	0.43	Agreed
2.	Technical and managerial expertise	3.15	0.58	Agreed
3.	Size of working capital	2.89	0.67	Agreed
4.	Financing	3.09	0.58	Agreed
5.	Location of firm	2.86	0.71	Agreed
6.	Access to information	2.65	0.89	Agreed
7.	Quality of employees	3.02	0.65	Agreed
8.	Firm's marketing strategy	2.70	0.62	Agreed
9.	Competitive Advantage	3.10	0.54	Agreed
10.	Investment opportunities	2.97	0.61	Agreed
11.	Growth of business	2.89	0.67	Agreed

Source: Field Survey (2018)

The result in Table 2 showed the mean and standard deviation of the internal factors affecting strategic management practices in SMEs. The benchmark mean was pegged as 2.50. Factors whose mean values is above 2.50 is considered acceptable, and vice-versa. Although, respondents agreed that all the internal factors outlined above affect strategic management practices, but the major ones are size of firm, technical and managerial expertise, competitive advantage, finance and quality of staff.

There is consensus in literature that strategic management is originally developed for large and multinational corporations. It is however difficult for small and medium scale businesses to adopt similar techniques due to varying characteristics between large and small firms. The small size factor has constrained SMEs from fully practicing strategic management. Even when some of them attempt to practice, their plans tend to be unstructured, inconsistent, irregular and informal. SMEs lack the required technical and managerial expertise and the adequate financial resources to practice strategic management. The adoption and implementation of strategic management requires experts and professionals to formulate a strategic plan, and a good financial base is needed to execute the plan. Unfortunately, most SMEs do not have these. Quality of staff is an important factor that affects the practices of strategic management in SMEs. Majority of SMEs in Nigeria employ few staff, in which a significant proportion of their work-force is unskilled and/or semi-skilled. It is only when capable hands are employed that the implementation of strategic management can come to fruition. The reason why strategic management is effectual in large corporations is because of their ability to attract and maintain competent personnel. SMEs lack the strength to hire quality staffs, who understands the nitty-gritty of business management. In addition, competitive advantage stimulates the effective implementation of strategic management. A firm that is head and shoulder above its rivals will find it easier to practice strategic management. Competitive advantage and strategic management are intertwined. In the case of SMEs, majority of them do not have competitive advantage due to the limitation(s) posed to their growth and expansion. This has however made the practice of strategic management complicated in SMEs.

Table 3: Descriptive Statistics of Respondents' Opinions on the External Factors affecting Strategic Management Practices (N=178)

S/N	Factors	Mean	Standard Deviation	Decision
1.	Government economic and industrial policy	3.25	0.47	Agreed
2.	State of infrastructures	2.84	0.65	Agreed
3.	Taxation policy	2.64	0.78	Agreed
4.	Macroeconomic environment	3.16	0.51	Agreed
5.	Political conditions	3.07	0.56	Agreed
6.	Fiscal incentive framework	2.57	0.93	Agreed
7.	Nature of business environment	3.14	0.53	Agreed
8.	Threats of Competitors	2.60	0.71	Agreed
9.	Influence of market leader(s).	3.05	0.63	Agreed
10.	Potentials of new entrants	2.76	0.77	Agreed

Source: Field Survey (2018)

The result in Table 3 showed that respondents agreed with the outlined external factors. The leading external factors are government economic policy and industrial policy, nature of business environment, macroeconomic environment, political conditions and influence of market leader(s).

The economic and industrial policies of government are important to strategic management in SMEs. Strategic plans developed by SMEs can be distorted by policies formulated on inflation rate, interest rate exchange rate or tariff. For instance, an increase in monetary policy rate increases the cost of borrowing. This implies that SMEs intending to obtain loan facilities from financial institutions will be charged a higher interest rate. Thus, such SMEs would have to go back to re-evaluate its plan to see whether borrowing is advantageous or not. The nature of business environment is yet another important factor. A business environment that is unpredictable, uncertain and harsh may not support the practice of strategic management. The macroeconomic environment matters as well. An environment characterized by high rates of inflation, continual fluctuations in exchange rate and astronomical rates of interest may be injurious to the practices of strategic management. Most SMEs are dominated by market leader(s), who determine the pricing and output decisions of SMEs. SMEs in this situation have no other choice than to comply with the directives of market leader(s), whether favourable or otherwise. Political conditions are equally a veritable factor. Strategic management is functional in an environment that is free from violence, demonstration, chaos, disorder, civil war, assassinations, frequent changes in government policies, bureaucracy and insecurity. An unstable political clime repels the practice of strategic management.

Conclusion and Recommendations

Strategic management is central to the attainment of organizational objectives. Strategic management solidifies competitive advantage of a firm and equally prepares them for the occurrence of unexpected events in the business environment. However, there are certain factors that affect the practices of strategic management in SMEs. These factors are attributable to the weak implementation of strategic management. Relevant amongst them are small size factor, technical and managerial know-how, competitive advantage, finance, industrial and economic policy, influence of market leaders, political conditions and nature of business environment.

In an attempt to enhance the practices of strategic management in SMEs, the following suggestions are proposed:

i. SMEs are encouraged to form strategic partnership with large and multinational firms. This will enable them to take necessary actions to improve managerial practices in their businesses. This will equally advance their technical and managerial know-how to harness opportunities in their environment.
ii. SMEs are advised to invest in projects where they have formidable competitive advantage. They are beseeched to know their areas of strength and weaknesses. This will help them develop strategic plans to maximize their areas of strength and minimize their weaknesses.
iii. SMEs should separate personal affairs from business affairs. Business funds should not be matched with personal funds. This will enhance the quality of their planning and budgeting practices.
iv. Financial institutions should include advisory services to SMEs in their operations. This will enable SMEs to consult for them in case they need professional advice.
v. SMEs should stop the habit of putting family members and friends in key positions in their businesses. Efforts should be exerted to employ competent hands. It is also advisable for SMEs to comply with standard personnel practices.

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