COMPETITIVE STRATEGIES AND THE PERFORMANCE OF MICRO SCALE ENTREPRISES (MSEs) IN DELTA STATE.

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BEING A DISSERTATIONPRESENTED TO THE SCHOOL OF POSTGRADUATE STUDIES, DELTA STATE UNIVERSITY, ABRAKA.

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AUGUST, 2018.

DECLARATION

I declare that this is an original research work carried out by me and has not been submitted or done in any other university for the award of degree or certificate.

DOUGLAS, Chukunalu Date
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CERTIFICATION

We certify that this research was carried out by Douglas Chukunalu of the Department of Business Administration, Delta State University, Abraka Under our Supervision, in partial fulfillment leading to the award of Master of Science (M.Sc) in Business Management.

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Dean of faculty

DEDICATION

This research work is dedicated to my mother, Mrs. Oshilim Stella andto my siblings Oshilim Ifeanyichukwu Anita andLate Douglas Azuka.

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I wish to thank the Almighty God through whom I have successfully gone through my MSc programme. His grace to me has been beyond any measure of expression. I have directed lots of energies into this research work. This notwithstanding would not have been possible without help from other people.

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ABBREVIATIONS AND ACRONYMS

BOI	: Bank of Industry
CS	: Competitive Strategies
DEMSMES	: Delta State Micro Small and Medium Scale Enterprises
DEMSMDA	: Delta State Micro Small and Medium Scale Development Agency
GDP	: Gross Domestic Product
FMCG	: Fast Moving Consumer Goods
ICT	: Information and Communication Technology
IDC	: Industrial Development Centres
MSEs	: Micro Scale Enterprises

NDE	: National Directorate of Employment
NERFUND	: National Economic Reconstruction Fund
OECD	: Organization for Economic Cooperation and Development
RBV	: Resource-Based View
SMEDAN	: Small and Medium Enterprises Development Agency
SMEEIS	: Small and Medium Enterprises Equity Investment Scheme
SICF	: Small Industries Credit Fund
SIM	: Strategic Issue Management
SCA	: Sustainable Competitive Advantage
SSIC	: Small Scale Industry Credit Scheme
VRIN	: Valuable, Rare, Inimitable and Non-Substitutable

ABSTRACT

Micro scale enterprises in Delta State have been identified togo into business without taking into cognizance the competitive business environment and as such have no plan to confront the reactions from competitors and customers. This has been the strength of neighbouring states who take advantage of such weakness to penetrate the fast moving consumer goods market. The objective of this study was to examine the effect of competitive strategies on the performance of Micro Scale Enterprises (MSEs) manufacturers of Fast Moving Consumer Goods(FMCG) in the Food sector inDelta State.The cross sectional research design was used. The population of the study was 3,044 Micro Scale Enterprises in Delta State, from which a sample of 354 were selected randomly using the Taro Yamane technique for sample determination. Out of the 354 questionnaire administered,300 were returned. This research employed primarydata and utilizes frequency and percentage for demographic perspectives. Mean for analysis of responses. Three hypotheses were formulated and tested using multiple regression model at 0.05level of significance which was computed electronically by use of STATA Version 13.0. The results from the study revealedthat cost leadership strategy, differentiation strategy and focus strategy have a positive significant effect on performance ofMicro Scale Enterprises (MSEs) manufacturers of FMCG in Food sector in Delta State. The study concluded that competitive strategies influence performance of Micro Scale Enterprises (MSEs) manufacturers of Fast Moving Consumer Goods (FMCG) in the food sector in Delta State and that these strategies have the potentials of improving the business performance of micro scale enterprises manufacturers in Delta State with regard to profitability, improved market share and growth in employees.This study recommends among other that since competitive strategies affect performance micro scale enterprises should formulate and implement competitive strategies. That micro scale enterprises should be innovative for continued existence in the market. It contributed to knowledge in the following ways: This study has established that cost leadership strategy increase performance of micro scale enterprises in Delta State. This study has also established that differentiation strategy boost performance of micro scale enterprises in Delta State.This study has demonstrated that focus strategy increases performance of micro scale enterprises in Delta State.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The business environment having a challenging economic situation and high competition have prompted managers to increasingly seek for strategies to accomplish, improve and sustain organizational performance and competitiveness (Mohammed &Manhood, 2016). Formulation and implementation of strategiesmust beperceived as important components in the management process of the firm, this is because strategy gives the direction that business managers have in mind and which way they want to achieve their goals (Tan, 2007). Earlier research demonstrated that firms that set out a clear strategy, for example: a quality differentiation or a cost leadership strategy, will outperform those firms that engage a mixed strategy(Baun, Locke & Smith, 2001); and out of the strategies implemented by the firm, competitive strategy has proven as essential tool globally for any business to remain in the competitive market environment and gain superior performance(Gbolegbade, Adesola&Oyewale, 2013).

Competitive strategy is consciously choosing to carry out activities differently or to perform different activities than competitors to convey a unique mix of value (Porter, 1986) cited in (Uchegbulem, Akinyele&Ayodotun, 2015). Therefore, to possess an edge over rivals, firms employ innumerable competitive strategies principally because each company's strategic style entailscustom-designed actions to fit its own circumstances and industry environment (Porter,1980) cited in (Uchegbulem, Akinyele&Ayodotun, 2015).Of course Nigerian Breweries will always be in competition with Guinness just like Indomie will always be in competition with ChikkiChikki, but will be very hard to hear one running the other out of the market. This is not the case with micro business though; when you fail as a small business to properly gauge the strength of competition they might drive you to close shop before you know it (Akakabota, 2006).

MicroScales Enterprises is the engine of economic growth and the bedrock of development in Nigeria(Salako,2004). The 2012 enterprises Baseline Survey attested to that by revealing that there are 17,286,671 SMEs, while micro make up 99.87% of 17,261,753 and small 21,264 (0.12%) and the remaining 0.01 for medium approximately 1,654. Micro and Small scale enterprises in Nigeria employing 32,414,884 persons and contributing 46.54 percent of the National Gross Domestic Product in the nominal term (FGN, 2007) and (Alochenu, 2012). Micro and small scale enterprises are very crucial in most economies including Nigeria in that they contribute a lot in terms of GDP and employment (Inelo, 2015). Micro andSmall business in the manufacturing sector employs fewer than 100 employees (SMEDAN, 2009); and medium sized enterprises when it employs 100 and 199 employees (Ade, 2012).The micro and small scale enterprises constitute the very foundation upon which medium and large businesses were built and they are better position for meeting the challenges of globalization (Olannye&Oyibo, 2002)

However, competition among firms is on the rise and Micro and Small Enterprises in Nigeria are struggling under the intense competitive environment both at the domestic and international levels(Omah, Durowoju,Abayomi&Ayobami, 2012).Despite the Economic significance of micro and small enterprises in Nigeria and government supportive programmes they have not played the vital and vibrant rolein economic growth and development of the country (Gana, 2014). These challenges may result from perceived ineffective competitive strategy which is having a negative effect on performance in terms of customer base, sales growth, return on investment and revenue.

Competitive advantage of a firm gives it an edge over it rivals and an ability to generate greater value for the firm and its stakeholders (Martinette& Lesson, 2012). To survive in a highlycompetitive environment as Nigeria,MSEs have to learn to whether the storm of competition and beat today's ferocious market forces and volatility by providing quality products, distinct products features and well packaged value adding products that satisfy customer needs at affordable prices with effective promotion (Olannye, Busari&Taiwo, 2002). Every firm possess certain unique capabilities and competences that distinguish it from other firm and these feature greatly influence its performance in the market and determine to what extent a firm survive the pressures of market competition (Ade, 2012). However this cannot be achieved except the right competitive strategy is developed and implemented appropriately. Competitiveness in business is repeatedly studied by academics, consultants and practitioners; the internalization of the economic dynamic nature of the environment, greater competitive firms, the need for continuous innovation, product customization and growing use of ICT, forces firms to face challenges of improving competitiveness (Seth, 2013) . These difficulties are greater for micro and small enterprises because their economy of scale and their resources are less than those of large firms. Research has shown that about 70% of micro and smallbusiness fail in their first three years of operations in Nigeria nation (Akingbolu, 2014).

The competitive environment so intense in Nigeria for small scale business has necessitated the need to develop strategic means to survive (Nzelibe, 2010); thus it becomes imperative to find out whether generating new product features will increase their scale of productivity and reflect also on their customer base. Optimal ability of management to properly analyse the market is one of the crucial aspect of marketing rules (Aaker& Day, 2008); and when unique selling proposition is created with the aim of increasing scale of product (Moore, 2006).Therefore, this research study aims at examining how competitive strategies such as cost leadership, differentiation strategy and focus strategy influence performance of micro scale enterprise in Delta State, Nigeria.

1.2 Statement of the Problem

The apparent significance associated with micro scale enterprises and the numerous attempts by the government to accelerate growth and survival of MSEs, have proved abortive, performance have been disappointing in Delta State (Eneh, 2010).

Competition is a factor of the micro-environment. The micro-environment includes the organization itself, its suppliers, marketing intermediaries, customers, market or segment, competitors and publics (Eneh,2010). Lack of competitive strategies to break even where larger enterprises are delving into the same market as micro business in order to leverage the potential of expanding the sector becomes a problem to themicro scale enterprises.

Additionally, numerous studies exist on competitive strategies and performance of micro scale enterprises internationally, in Africa and locally. Internationally, a study on effects of competitive strategies on growth and profitability ofMSEs in Greek,Vlachei, Nolta&Demiri(2010) established that competitive strategies are positively associated with performance in Greek. Again Nwangi&Ombui (2003) investigated the impact of competitive strategies on performance in Kenya health sector and there is also a positive relationship between competitive strategies and performance. In Nigeria South east region Eneh (2010) studied the impact of competitive strategies on performance of MSEs and it was found competitive strategies are positively related to performance. Ifeakwem&Ademola (2016) studied the impact of competitive strategies on performance of selected micro scale enterprises in Lagos and the findings revealed competitive strategies have an impact on performance of MSEs.

Mohammed & Manhood (2016) examined the influence of competitive strategies on performance of MSEs in Kano, the result indicate significant and positive relationship between competitive strategies and performance of MSEs. As such the studies on competitive strategies and performance concentrated on states outside Delta State which cannot be used to make decision in Delta State because of difference in business environment which also makes competitive strategies application different in results for MSEs. Therefore the study aims to address: Do competitive strategies influence performance of MSEs in Delta State.

1.3 Objectives of the Study

The main objective of this study is to examine the effect of competitive strategies on the performance of micro scale enterprises manufacturers of FMCG in the food sector in Delta State. The specific objectives are to:

(1) determine the impact of cost leadership strategy on performance of MSEs.

(2) determine the influence of differentiation strategy on performance of MSEs.

(3) ascertain the effect offocus strategy on performance of MSEs.

1.4Research Hypotheses

The following research hypotheses formulated in line with the research objectives

(i) Cost leadership strategy does not have a significant impact on performance of MSEs.

(ii) Differentiation strategy does not havesignificant influence on performance on MSEs.

(iii) Focus strategy does not have a significant effect onperformance of MSEs

1.5Significance of the Study

This study first will be beneficial to the researcher, as it will not only be fulfillment of the award of a Master's Degree in Business Management, but at the end of the day the researcher will be graded having demonstrated the outcome of a learning process.

The current study contributes to the existing literature by adding evidence from Delta State, on the impact of competitive strategies on the performance of MSEs Manufacturers of FMCG in the food sector.

This study is significant for helping to guild the ailing enterprises to survive and grow. Prospective entrepreneurs and business incubators for start-up will also find the recommendation useful for their decision making.

Micro scale enterprises high-growth potentials, employment opportunities and reduced incidence of business failures will help the government in sustainable practices concerning entrepreneurial development.

1.6 Scope of the Study

This study isparticularly based on competitive strategies as it relates to micro scale enterprisesmanufacturers of FMCG in the food sector in Delta State Nigeria. This sector is considered suitable for this study because of the business activities of manufacturing which is the essence of Porter's Generic Strategies. The business activities in manufacturing sectorcommon to the Delta State indigenes at the micro level to providing job, poverty alleviation and for sustained livelihood are Fast food business, Bakery business and Table water business (Akpotowho, 2006).

1.7 Limitations of the study

The researcher was faced with the limitation of getting respondents to fill the questionnaire.Most of the respondents demanded that their identity should not be disclosed as is against their professional ethics to disclose their identity. However, the researcher assured the respondents of strict confidentiality and this spurred them to fill the questionnaire form.

1.8 Operational definition of terms

Competiveness- The ability of afirm to offer products and services that meet the quality standards of the local or world markets at prices that are competitive and provide adequate returns on resources employed or consumed in producing them.

Cost leadership strategy-This is a business strategy wherein a business firm competes to become the market share leader by operating at the lowest cost of production amongst the entire firm in the business.

Differentiation Strategy-This is a business strategy aims to distinguish a product or service from other similar products or services offered by competitors in the market.

Firm performance-This is the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

Fast moving consumer goods (FMCG)-These are high volume, low unit value, fast repurchase products

Focus strategy-This is a business strategy in which an organization divest itself of all but its core, used by a firm to offer product or service that target the unique needs of specific market segment or niche.

Micro Scale Enterprises - These are enterprises with total assets (excluding land and building) of less than 5 million and labour size of less than 10 employees**.**

Strategies-These are schemes, methods, maneuver which management deploy inorder to move the organization from its present position to arrive at its target goal by the end of a specified period recognizing that during the intervening period a host of changes are going to take place in the environment.

Survival-This is the continuous existence of business inspite of all odds, involving ability of business organization to manage its resources, that is the material, financial and human resources in the test of time.

CHAPTER TWO

LITERATURE REVIEW AND THEORICAL FRAMEWORK

This chapter is on the review of related literature in the study. The study is on competitive strategies and the performance of MSEs manufacturers of fast moving consumer goods(FMCG) in food sector in Delta State.This chapter therefore reviews literature under the following subheadings:

2.1 Conceptof CompetitiveStrategy

Competitive strategy is about being different; deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value (Porter,1980). The 3Cs strategic triangle model identifies competition as one of the 3 key factors for success of a firm (Joffre, 2011; Grant, 2008; Ohmae, 1982). Gakure&Amurle (2013) construed that the ability to understand customer needs and competitor's moves, strengths and weaknesses provide small businesses with strategic information vital for their success. The two researchers also inferred that the firms which undertake continuous search for market information are more likely to have good understanding of their immediate external environment, which mainly constitutes the customer and the competitor. Making competitive advantages the cornerstone of your marketing strategy; and communicating these advantages clearly to your customers in your promotional tactics is vital (Kiveu&Ofafa,2013). Market orientation holds that the key to achieving organizational goals is being more effective than competitors in integrating marketing activities to determine the needs of target markets(Kotler,1999). Kotler noted that firms with better understanding of their customers, competitors and environment have a competitive edge (Husnah,Subroto&Aisjah, 2013). It focuses on improving competitive position of product and services in a particular industry or market segment served (Wheelen, 2001).

Michael Porter's theory of Generic competitive Strategy is one of the most remarkable and influential contributions to the study of strategic behavior in organization(Tapinos, Dyson & Meadow, 2005). Porter argued that every firm must choose between a cost leadership and a differentiation strategy. Porter generic strategy matrix, which highlights cost leadership, differentiation and focus as the three choices firms, has dominated corporate competitive strategy for 30 years (Pierce and Robinson, 2012). According to this model, a company can choose how it wants to compete, based on the match between its type of competitive advantage and the market target pursued, as the key determinants of choice (Yamin,Gunasekaram&Mavondo (2006). Porter generic strategytypology remains one of the most notable in the strategic management literature (Parnell, 2006). Porter argued that it is not normally possible for firms to follow both simultaneously and still be successful. However, Porter recognized some temporary exceptions to his main thesis: if the competitors themselves are stuck in the middle; when a company has captured large economies of scale or economies of scope and when is the first in the market with a major (technological innovation) that simultaneously reduces cost and enhances differentiation. Despite widespread interest and application, it has proofed difficult to progress its representation of competitive market behavior.

According to Hunt (2000) "the paradigm has so far failed to open up a period of kuhnian 'normal science' in which a detailed and immensely productive dialogue is established fact and theory". Hunt further argues that, "failure to establish this dialogue threatens to leave the study of competitive strategy in a pre-paradigm state…" since so far no sufficient empirical or social support "… to make the phase transition to normal science". The major impediment is that "no known way to compare or cumulate individual empirical studies of the type suggested by the paradigm". A meta-analytic procedure is proposed by Hunt where the empirical record can be aggregated. According to Hunt, "Results suggest that, although cost and differentiation act as high level discriminators of competitive strategy designs, the paradigm descriptions of competitive strategy should be enhanced, and that its theoretical proposition on the performance of designs has yet to be supported". The paradigm's theoretical proposition has attracted intense debate.

Panrell(2006) studied on "Technology Analysis and competitive Strategy: The Case of Mobile Telephones". He examined the validity of the strategic implications drawn from the typology of Michael Porter's Generic Strategies.Panrell stated that, "it is argued that the existence of technologies which simultaneously drive cost and performance make it possible to combine cost leadership and differentiation strategies, and yet be extremely competitive. The mobile telephone industry provides us with an illustrative empirical example. In this case, rather than a 'stuck in the middle' strategy, we found a 'luck in the middle' strategy'. The 'stuck in the middle' Hypothesis (Chakravarthy, 2015) argued that external conditions provide no reason to discriminate against mixed cost and differentiation strategy designs.

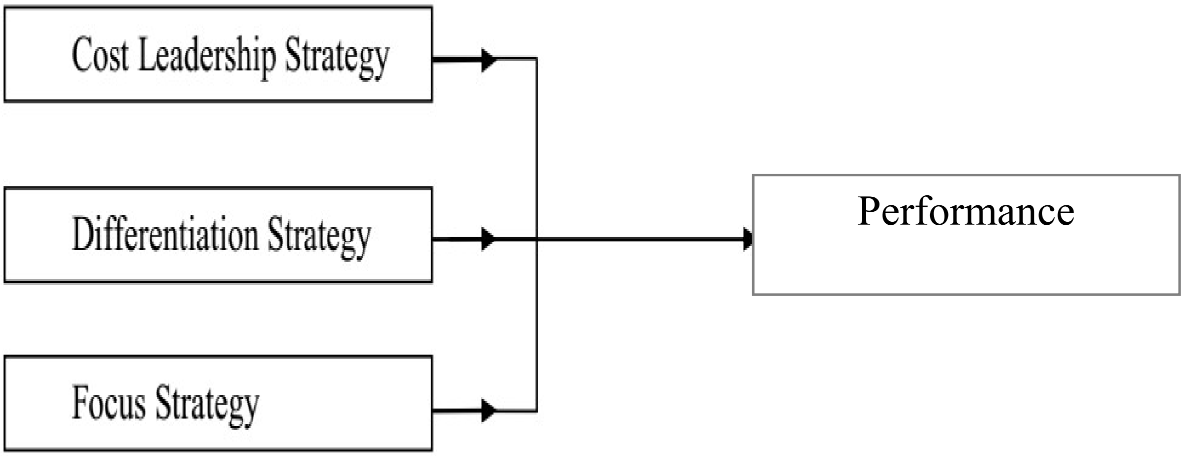
Mintzberg(1990) in order to widen the set of strategic competitive behaviour that are held to be generic have met little success, despite recent empirical evidence which suggests that they offer a superior description of competitive behaviour (Peteraf,1993). Porter's strategy typology is considered as a conceptual bridge between the I/O and resource based approaches (Panrell, 2005). Bowman (2008) states that though Porters thinking still dominates much of the strategy field, its apparent simplicity masks a number of problems. The most significant are: firstly the theory confuses 'where to compete' with 'how to compete'; secondly the theory confuses competitive strategy with corporate strategy; and thirdly, it excludes other feasible strategy options. Trade-off studies examine the need for plants to prioritize their strategic objectives and devote resources to improving those manufacturing capabilities. For example, researcher frequently claim that plants must make choices between achieving low costs or high flexibility(Garvin, 1993). Low cost producers seek to reduce waste and improving productivity, often designing efficient line flow systems comprised of relatively fixed machinery and standardized operator's task. In contrast, highly flexible plants may choose a job shop design, seeking rapid response to changing customer demands and products specifications.Nickel, McHugh and McHugh (2007) recently found support for this claim, linking 'line flow and job shop manufacturing processes to cost and flexibility priorities', respectively.

Competitive strategy refers to the game plan adopted by management for competing successfully in their chosen market (Porter,1980) cited in (Uchegbulem, Akinyele&Ayodotun, 2015). It involves the analysis of the market and its environment, consumer purchase behaviour, competitive activities, needs and competencies of market intermediaries (Shere,2001). Firms engage competitive strategies as tools for achieving or improving competitive advantage and superior performance in the industry landscape (Idar&Mahmood, 2011). Thus, the objective of competitive strategy is to device innovation means of gaining market and industry dominance by satisfying buyer's need and preferences and responding to the sensitive requirements of stakeholders (Hannel&Prahalad,2016).

Porter in his work on generic competitive strategies developed a theory which over the years has remained unquestionable among the most significant and influential contribution in the field of strategy and organizational research. This work of Porter is recognized as the dominant paradigm of competitive strategy (Kemp &Gibeus,2003). As stipulated by porter, competitive strategy is defined as a firm's attempt for favourable competitive position in the industry (Hammerer and Silk,2016). Porter's positioning school of thought has been a dominant one in strategic field (Chandler,2012). The name positioning originated from Porter's central idea that an organization should aim at attaining competitiveness through positioning and enhanced financial performance (David, 2010); it provide a firm with the activities to generate offensive and defensive position in the industry and thereby producing superior return on investment (Porter,1980) cited in (Uchegbulem, Akinyele&Ayodotun, 2015).

Accordingly, firms need to adopt a competitive strategy to secure competitive advantage (Mahmood&Hanati, 2013). Competitive strategy is the capability of the firm to do its activity in a way or distinct way other competitors cannot realize (Yiyijo&Osomani, 2013). A firm is able to achieve sustainable competitive advantagewhen it implements the strategy of value creation that is not implemented by opponents in the industry (Barney, 2016). In other words competitive advantage is the objective of competitive strategy (Shor, 2008). The conceptual framework for this study is based on Porter's Generic competitive Strategies. This study was motivated to ascertain the competitive strategies affecting performance of MSEs. The independent variables in this study are Cost Leadership Strategy, Differentiation Strategy and Focus Strategy while the performance of MSEs is the dependent variable.

Figure 2.1: Conceptual Framework



SOURCE: Daniel &Okibo(2015)

2.2Micro andSmall Business Operations and Their Challenges

Micro and Small Enterprises play crucial roles in the development process in most of the developed and developing countries (Akpotowho, 2005). They are characterized by dynamism, witty innovation and their small size allows for faster decision making process (Okechukwu, 2012).

There have been controversies in literature concerning appropriate definitions of micro and small scale enterprises. Nigeria is struggling to get a definition out of the several inconsistent and ambiguous definitions proffered by several industries and agencies such as the 1992 review by National council of Industrial Standards that defined small and medium as enterprises with total cost (including working capital and excluding cost of land) above 3million but not exceeding 5m with a labour size of between 11 and 100 employees. The federal ministry of industries defined medium scale enterprises as any company with operating assets less than N200 million and employing less than 300 persons. A small scale enterprise on the other hand is one that has total assets less than 50 million with less than 100 employees. The Na 12 l Economic Reconstruction Fund (NERFUND) defines a small scale enterprises as one whose total assets is less thanN10 million, but made no reference either to its annual turnover or the number of employees.

Micro scale enterprises are known to be very vital to the development of every economy, though small in size they have contributed greatly to the enhancement of major economies of the world (Lukae, 2005). They are considered the bones of the Nigerian economy due to the multiple contributions (Olagunju,2004). The 2012 enterprise baseline survey revealed that micro scale businesses in Nigeria employ 32,414,884 people indigene of the nation. Employment generation capacity of about 58% of global working population.Micro businesses constitute major avenues for income generation and participation in economic activities in the lower income and rural brackets of developing societies especially agriculture, trading and services. Micro businesses contribute up to 46.7% of national GDP in nominal term (Alochenu, 2012). They also offer veritable outlets for technological advancement especially in business with rudimentary technological requirement(Alochenu, 2012).

Sagai (2005) stated that small businesses are generally regarded as the driving force of economic growth and development, thus in order to aid and sustain small businesses the federal government has put in place some facilities such as the establishment of the small scale industries credit scheme (SSIC) in 1971 to provide a more direct form of financial assistance to businesses. As a first step, government established a small industries development support for small businesses. Later, small industries credit committee (SICC) was established to administer small industries credit fund (SICF) all over the federation. The establishment of industrial development center (IDC) was another important effort by the federal government to promote small businesses under the second national development plan (1970 – 1975). Under the plan N800,000 was allocated for setting up IDCs in various part of the country; also included in this series of government intervention to boost the activities of small businesses through establishment of agencies and programme to provide not just credits but consultancy, information and guideline to Nigerian who establish and own business according to Oladipo (2014) are the small and medium enterprises equity investment scheme (SMEEIS) established in 2001 and the small and medium scale enterprises development agency in Nigeria (SMEDAN) established in 2003, the national directorate of employment (NDE) and the skill acquisition centers.

Despite these new initiatives and repeated attempts by both government and private sectors to promote the activities of small business in Nigeria, research still documents that 70%businesses in the micro and small entities fail in their first three years of operations in Nigeria (Akingbolu, 2014). Small businesses in Nigeria continue to face numerous problems such as, unstable economic environment (Chukuma, 2014), results in costly operating environment to high debt burden on the nation, lack of access to technology and the best breed business solution, business services, consulting and training, government bureaucracy, which increases small business operating cost, such as unfriendly judicial process, regulation on business environment. Lack of managerial facilities as enterprise supports services suchas limited capacity of business associations, for example chamber of commerce, lack of short and long term capital (Uchegbulem, Akinyele&Ayodotun, 2015).

2.3 An overview of Micro and Small Scale Enterprisesin Nigeria

Small business can be defined in terms of sales volume, number of employees, or investment (Ajide, Hameed&Oyetade, 2014). A business that is therefore defined as small scale enterprise in a developed country can be regarded as a large scale enterprises in a developing country (Olannye&Oyibi, 2002). Even in developing countries, the definition changes overtime (Adidu&Olannye, 2006). The European Commission defines small businesses andusing two broad parameters: micro entities, small companies (European Commision, 2002). The category of micro and small enterprises is made up of enterprises which employ fewer than 50 persons and which have an annual turnover not exceeding 50 million Euro and annual balance sheet total not exceeding 43 million euros (European Commission, 2003).

The Central Bank of Nigeria defines micro and small business according to assets base and the number of staff employed. These criteria are: assets base between N5million and N50 million (excluding land and building)and staff strength of between 10 and 50 employees (CBN Guidelines, 2010). The effort to develop a blueprint for small businesses development in Nigeria continued. This was borne out of the desire of the federal government of Nigeria to institute development paradigm that would ensure Nigeria's position as one of the twenty (20) most industrialized countries of the world (Ebere&Ugwu, 2015).

The objectives and goal to develop micro and small businesses in Nigeria are included in the country's vision 2020. It is believed that this vision support micro and small businesses as the main engine of economic growth, a driver of sustainable industrial development and globally competitive sector (Momoh, 2005)

To develop the sector that is the driver of the national economic growth and development, this is to be achieved by the following goals. Increasing entrepreneurship and raising employment contribution to 60% by 2015 and to 80% by 2020.Centralized management, monitoring, coordination, planning, promotion and development of small businesses. Contributing 50% GDP in 2015 and 75% by 2020.

To develop a strong, viable and sustainable sector capable of competing in terms of quality products and services at competitive prices. This is achieved by the following goal. To contribute 50% of export by 2015 and 80%by 2020.To increase production of capital goods by 40% annually up to 2020.Improve the business environment by raising the country ratings on the "Doing business" list to at most 80% by 2015 and to at most 50% by 2020.

Develop and improve entrepreneurial skills and competencies of existing and potential entrepreneurs. This is achieved by the following goals. Improvement in investment on human capital by 20% annually up to 2015 and 15% by 2020.Increase productivity at all micro and small enterprises level by 20%. Encourage rural transformation and reduce rural urban migration, achievable by the following goals. Reduce the rural poverty index from 54% to 30% in 2015 and 10% by 2020.

Encourage the use of improved technology in the production of goods and services, achievable by the following goals. To increase the skills and know – how for industrial production and management by 30% on a yearly basis until 2020.

Increase access to funding and financial services to be achieved by the following goals.To increase access to credit by 20% annually until 2015 and 10% by 2020. And Encourage forward and backward linkages with other sectors of the economy achievable by the following goals.To achieve linkage with and be a source of raw material to large scale industries.To effectively utilize locally produced raw material.

The domestic market for small businesses achievable by the following goals.Increase procurement of small businesses goods and services by 60% in 2015 and 100% by 2020.Increase government procurement from the sector by 50% annually until 2020.

2.4Scope and Structure of small and medium enterprises (SMEs)

The SME sector according to vision 2020 comprises micro, small and medium enterprises which are distinguished as a group separate from large organizations. The majority of the SMEs in Nigeria are family owned; they have a low capital base, located in urban and semi-urban areas and largely reside in the informal sector. The informal sector in Nigeria refers to economic activities in all sector of the economythat are operated outside the purview of government regulation (Vision 2020).

As with developed economies, Nigeria with the introduction of National Policy on MSMEs, has addressed the issue of the definition as to what constitute micro, small and medium enterprises. This classification, also adopted by SMEDAN, defines the size category, number of employees and assets holdings as shown in table 2.1.

Table 2.1: Structure of the SME sector

S/N	**Size category**	**Employment**	**Assets(-N-Million)(**excluding land and buildings)	**Estimated Number(**% of MSMEs) -2004

1	Micro-enterprises	Less than 10	Less than 5	6.7 million (80%)
2	Small Enterprises	10 to 49	5 to less than 50	1.3 million (15%)
3	Medium Enterprises	50 to 199	50 to less than 500	420,000 (5%)

SOURCE: National Policy on Micro, Small and Medium Scale Enterprises.

The three categories of enterprises, as defined in the above table, play different roles in the economy and are influenced by the characteristics of operators and the strictness of entry requirements (Vision 2020).The following explains the categories as described by Vision 2020.

Micro-enterprises

The national policy on micro, small and medium enterprises in vision 2020 describes micro enterprises in Nigeria as those dominated by wholesale and retail trade, manufacturing and vehicle repairs/services, transport, hotel and restaurant, and building and construction. The majority of the micro enterprises are informal, family owned business with low output value and low level of skills and technology.Micro-enterprises are widespread throughout the nations and numerous due to the simple entry requirements. Targeted interventions in the form of funding, technology upgrade and training will go a long way to increasing the very low number of micro enterprises transitioning to small businesses. This will result in the multiplier effects of employment generation and reduction of poverty incidence.

Small business

Most small enterprises are registered businesses and they are usually more organized and efficiently run. Because they have a larger number of well educated, technically skilled proprietors. They have easier access to bank creditors and with targeted assistance and support they offer the highest potential for growth.

2.5 Contribution of MSEs to the Nigerian Economy

Adegbite (2010), Tummy (2016) &Bamidele (2012) have identified micro business has a great importance to the Nigeria economy, considering the following:

Employment Opportunities: Microscale enterprises help to reduce unemployment considering the numbers of people that are engaged in their operations, Since most of their operations are labour intensive and they provide employment opportunities at a relatively low capital cost.

Equitable distribution of nation's income: Studies have shown that between the rich and the poor, the gap is the geographical distribution of income and it is a very large gap. However, micro scale businesses have helped in the redistribution of income by creating a strong middle class.

Mobilization of local resource:There is need to switch emphasis from import dependent large scale industries, to micro scale enterprises that structure their production process to depend mostly on local sourcing with locally available resources. This inward-looking process will play a significant role in mobilizing local resources that have been neglected.

Raw material sources: In fact, most manufacturing plants in Nigeria source their raw material from micro scale enterprises e.g. Guinness (Nig) plc., Nigerian Breweries Plc., British America Tobacco Nigeria (BAT).

Conservation and generation of foreign exchange: A good number of imported Nigeria goods can be economically produced locally to serve and boost foreign exchange e.g. fruit juice, frozen foods and beverages are now produced locally in Nigeria and even exported to generate foreign exchange.

Mitigation of rural-urban migration: Micro business may be a veritable instrument for solving the problem of rural-urban drift. Some MSEs are in rural areas to absorb rural labour. The situation will have a positive impact on agricultural output and a rise in farmer's income which in turn will encourage rural dwellers to remain in there locality. And Even distribution of industries; the rapid growth in the establishment of MSE has led to more even distribution of industries nationwide.

2.6Challenges confronting Micro scale businesses

Despite the significant role of MSEs, survival, growth and establishment of new ones is difficult (Ojo, 2009); this is due to some challenges (Bamdele,2012). These challenges are to some extent addressed while others still plague the small business (Adebisi, Alaneme&Ofuani, 5015). Causes of business failure may be internal to the firm and therefore presumably within it control, or external to enterprises and therefore beyond its control (Osotimehim, Jegede, Akinlabi&Olajide, 2012). Internal shortcomings should encourage interventions that help enterprises help themselves; alternatively external causes may require government policy interventions that change the external environment (Osotimehim, Jegede, Akinlabi&Olajide, 2012). Numerous researchers have empirically identified the main challenges to growth experienced by MSEs in Nigeria with reference to the summary provided in table 2.2 and of course several challenges cut across the studies, local government, national economies and government policies among others for example, one of the challenges repeatedly found across several studies in Nigeria is competition.

Table 2.2: Summary of Challenges to Growth of MSEs in Nigeria

Author/Context of Study	Identified Challenges to Growth
Ojo(2009)	Sampled 198 MSEs in Nigeria. Challenges: Difficulty in attracting fund

	for expansion, frustrating security system, inconsistent government policies.
Akpotowho(2006)	Sampled 135 MSEs in Nigeria. Challenges: epileptic power supply, high cost of machinery maintenance, high cost of taxation, pipe borne water.
Ifekwem and Ademola (2016)	Sampled 50 MSEs in Nigeria. Challenges: Inefficient telecommunication services, poor road network, difficulty in attracting fund, competition/poor patronage.
Chukuma(2014)	Sampled 356 MSEs in Nigeria. Challenges: unstable economic environment,lack of access to technology and the best breed business solution, lack of business services, lack of consulting and training, government bureaucracy.
Tummy(2006)	Sampled 135 MSEs in Nigeria. Challenges: Lack of managerial facilities as enterprise support services such as limited capacity of business association. Lack of short and long term capital.
Bankole(2002)	Sampled 32 small businesses in Nigeria. Challenges: Lack of financing, poor infrastructure, difficulty in getting machines and spare parts, difficulty in getting raw materials.
Ugwu(2005)	Sampled 500 entrepreneurs from the

	southeastern zone of Nigeria. Challenges: low level of education, dishonest employees, insecurity, unfavourable business laws, political uncertainty, increased competition.
Awodike(2005)	Sampled 500 MSEs in Nigeria. Challenges: Shortage of technical skills, inconsistent government policies, epileptic power supply, high rate of taxes/multiple taxes, poor road network.

Source: Ifekwem and Ademola (2016)

2.7 Current government effort in sustaining growth of micro scale business

To eliminate the negative impact of the challenges identified to confront the performance of Micro scale business, the government and its agencies are currently making efforts aimed at supporting the MSEs for survival, growth and establishment of news ones. Some of the current government efforts according are Ossai-Igwe and Adebayo (2012) are

Entrepreneurial Education. The government has made the teaching of entrepreneurial studies compulsory in all universities and other tertiary institutions. This will in no doubt, equip the graduates with the entrepreneurial skills that are required for the establishment and management of MSEs. Provisions of infrastructural facilities especially electricity, roads and water.

Serious enlightenment campaigns aimed at educating Nigerians on the need to purchase home made goods instead foreign ones.Establishment of theyou WIN project, which provides training and funds for young graduates for establishment of MSEs.Provision of adequate security for business to thrive.Establishment of institutions to support MSEs example are banks of industries (BOI), Small Scale

Industry Credit Scheme (SSICS), Export Promotion Council.Provision of soft-loans and grants for the benefits of MSEs.Government has made the regulation of new businesses easier to encourage the establishment of MSEs.Government has place total ban on importation of certain goods in order to stimulate demand for locally made goods.

2.8Business performance measurement

In the strategic management research literature two main approaches have been used to measure business performance, objective and subjective. From an objective perspective, Venkatraman & Ramaujam (1986) cited in Ogot (2014) treat business performance 'business performance' as a subset of the organizational effectiveness. In their view, the narrowest conception of business performance centers on the use of outcome-based financial indicators assumed to reflect the meeting of the economic goals of the firm. Typical of this approach would be examination of indicator such as sales growth, profitability ratios (for example, return on investment, return on sale, return on equity), and earning per share.

Some studies have employed 'market' or value-based' measurements such as market – to – book or stock- market returns and its variants (Kudla,2000) . A broader conceptualization of business performance may also include emphasis on indicator of operational performance, in addition to indicators of financial performance (Venkatraman & Ramaujam, 1986) cited in Ogot (2014). These would include measure such as market-share, market-share position (seen as a determinant of profitability), new product introduction, product quality, marketing effectiveness, and manufacturing value-added.

Operationalization of business performance measurement must take into account the sources of data that are either primary (e.g., data collected directly from organizations) or secondary (e.g., data from publicly available records). The conceptualization of business performance (financial versus operational indicators) and data sources (primary versus secondary), therefore forms two basic but different concerns in the overall process of measuring business performance. The use of different combinations of conceptualization of performance and data sources will depend on the nature of the study being conducted.

The use of subjective approaches to measurement of business performance is also found in the strategic management literature (for example, Gopalakrishna& Subramanian, 2001, Spanos&Lioukas, 2001, Pertusa-Ortega, Claver-Cortes &Molina-Azorin, 2009).Following this approach, firms are asked to rate themselves along several measures in comparison to its main competitors on a Likert-Type Scale, typically ranging from ' well below my competitors' to 'well above my competitors'. Comparisons are normally made over a multi-year period to avoid any biases from temporal fluctuations (Spanos&Lioukas, 2001). Typical measures include sales growth, employment growth, market-share growth, profits before tax, cash flow, and returns on investment (Pelham & Wilson, 1996).

Alternatively, firms could be asked to provide financial data such as annual sales turnover either as absolute figures, or as ranges selected from a Likert-Type Scale. This approach finds traction especially in studies where there is difficulty in obtaining reliable financial information, such as the case for MSEs. The subjective measures approach has been used by several researchers (for example Robinson and Pearce, 1988; Spanos&Lioukas, 2001; Dess, 1987; Inmyxai&Takahashi, 2010), and will also be applied in this study. A summary of business performance (sometimes referred to as business success) measures that have been used in the literature for MSEs in Nigeria and Africa at large is presented in Table 2.3. The information contained therein will be used to inform this study.

Table 2.3: Summary of Business Performance Measures for MSEs

Performance(Success)Measures	Author(s)
Profitability ratio	McCormick(2001),Obura, Abeka&Obere,

	Wood (2006), Adekunle (2011), and Rand & Tom(2012)
Growth in sales	McCormick(2001), Ntseane (2004), Rand &Tom(2012)
Nominalor increase in number of employees	McCormick(2001), Rand & Tom(2012) Parker(1994, cited in Liedholm,2002), Wood (2002), Adekunle (2011), Rand& Tom(2012)
Transition from informal(unregistered) to formal(registered) business	Rand and Tom(2012), Ntseane (2004),Fajnzylber, Maloney & Montes-Rejas(2011).
Perceived level of success	Roy & Wheeler(2006)
Growth in assets	Adekunle(2011)
Age of business	Wood (2006), Pertusa-Ortega, Molina-Azorin&Claver-Cortes (2009).

Source: Ogot and Mungai (2012)

2.9: Generic strategies and Business Performance

Competitive business strategy typologies provide classification of business strategies according to common elements. They are typically used in deriving business strategy from competitive industry analysis in the formal economy with a view to gaining competitive advantage over ones rivals. In the context of Porter's typology, for example, Hambrick (2001) found all three generic strategies of low cost leadership, differentiation and focus among higher performing firm producing capital goods. His study found the presence of single strategies and absence of mixed strategies (where a single firm used more than one of generic strategies). Similar conclusions were drawn by Dess& Davis (2004) in the paint industry and Hooley, Lynch & Jobber (1992) in a study of single business companies.

On the other hand, the literature also has studies in support of combining strategies to achieve higher business performance. Recall that firms who adopt particular generic strategies are said to be members of that strategic group. Hill (1988) states that within emergent industries or mature industries undergoing technological change, differentiation may be a means to overall low cost leadership. Other studies in support of hybrid, mixed, integrated or combination strategies include Kim, Nam &Stimpert (2004), Spano, Zaralis&Lioukas (2004), Gopalakrishna& Subramanian (2001), and Proff (2000), arguing that the pursuit of a single generic strategy may lead to lower performance. Other authors who have shown that combination of low cost and differentiation strategies can be effective in tackling competitive forces, resulting in superior performance Liao & greenfield (1997) and Beal &Yasai-Ardekani (2000). In addition, Spano, Zaralis&Lioukas (2004), found that firms that combined cost leadership with other dimensions from Porter's typology performed better than those that did not.

Other researchers have developed Porter-based typologies of their own, and shown that firm adoption of the generic strategies contained therein leads to better performance. Pertusa-Ortega, Molina-Azorin&Claver-Cortes (2009) carried out an empirical study of large firms in Spain, and concluded that firms that engage in more generic strategies defined within the typology perform better.Their study was based on a three dimensional typology of innovation differentiation, marketing differentiation and low cost.

All these typologies were developed for and validated on medium and large enterprises. They therefore may not be directly applicable to MSEs. Ogot &Mungai (2012) sought to determine the suitability of Porter's competitive business strategies typology to MSEs based on micro-enterprises furniture manufacturers (metal and wood) in Nairobi, Kenya. Restricting themselves to the focus dimension (as MSEs cannot become leader from differentiation or a low cost perspective due to their small size), and based on the corresponding activities presented in Table 2.4, they found that MSEs employed generic strategies within the strategic groups of focus differentiation and focus low cost of Porter's model, with only 15.5% of the sampled enterprises in the so called 'stuck-in-the middle' cluster.

Porter's model as relates to improved business performance did not hold when comparisons were made between the different strategic groups in the model. Enterprises pursing pure or mixed strategies did not perform better than those pursing none, as would have been expected. In its current form, therefore, Porter's typology may be too limiting and not adequately provide alternative strategy dimension capturing the need of MSEs. This therefore presents a strong need to align Porters business activities tailored to the need, and being able to capture the specific characteristics of MSEs with a view to improved business performance.

Table 2.4: Competitive methods aligned to the focus dimension generic strategies in the porter's typology

Generic Strategy/Competitive Methods
Focus Differentiation • I try to make sure that my products can be distinguished from those of my competitors so as to increase sales • I continuously come up with new products to offer my customers so I can be a step ahead of my competitors • I buy my raw materials used to manufacture my products from the same set of suppliers • I try to target my products to a particular type of customer • I focus on only a small number of different products.

Generic strategy and Competitive Business Activities
Focus Low Cost • I change my source of raw material to the supplier who will give me the lowest price at the time of order. • I try to make sure that the selling price of my products are lower than those offered by my competitors. • I try to make sure that I reduce wastages during my manufacturing process so I can offer my customer lower prices and therefore beat my competition. • I try to make sure that I reduce wastage during my manufacturing process so I can make more profit. • I try to improve my manufacturing process so that I can use less material or be able to produce my products quicker. • When I hire employee, I look for those who already have experience.

Source: **Dess and Davis(1984)cited in Ogot and Mungai (2012)**

2.10 Competitive Business Activities and Generic Strategies

A brief review of selected major typologies from the literature follows. The review categorizes the typologies between those that describe strategic stances or postures, and those describing strategic actions. The review also highlights activities that define the generic strategies.

2.11 Strategic Postures Typologies

Miles and Snow researched on the strategies that organizations employ in solving their entrepreneurial, engineering, and administrative problems (Miles, Snow, Meyer & Coleman, 1978). Although similar typologies of various aspects of organizational behaviour (Ansoff, 1962) were already available in the literature, they developed and introduced four strategic types of organizations: Defenders, Analyzers, Prospectors, and Reactors, with their attributes summarized in Table 2.5.

The generic nature of the typology has made it very attractive for researchers and practitioners alike. Defenders do not strive to be leaders in the field but instead are late adopters of innovations once they have been tried and tested. They take a conservative view of new product development and focus on a narrow range of services, production efficiency and stable administrative structures (Smith, Guthrie & Chen, 1986). Defenders, Miles & Snow (1978) argue, 'devote primary attention to improving the efficiency of their existing operations.' The firm devotes its time to controlling costs, since efficiency is important to its success. Its technology is inflexible and often uses vertical integration to control costs, with centralized decision making (Hambrick1983).

Table 2.5: Miles and Snow Generic Strategies

Strategic Type	Attributes
Prospectors	Organisation which almost continuously search for market opportunities, regularly experimenting with potential responses to emerging environmental trends.
Analyzers	Organisation which operate in two types of product-market domains, one relatively stable, the other changing. In their stable areas, these organisations operate routinely and efficiently. But in more turbulent areas, they watch their competitors closely for new ideas, rapidly adopting those which appear to be the most promising.
Defenders	Organisation which have narrow product-market domains, rarely searching outside of their domains for new opportunities.
Reactors	Organisation in which top managers frequently perceive change and uncertainty occurring in their organisational environments but are unable to respond effectively.

SOURCE: Milles and Snow ((1978)

Prospectors, on the other hand, display the key attributes of innovative organizations: they are likely to be pioneers, leaders in the field, and perhaps innovation award winners. They are organizations that almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends (Miles & Snow 1978). They are usually first-to-market with new products and services. The characteristics of a public-sector prospector include being proactive, taking risks, and making rapid organizational responses to new circumstances (Downs 1967; Boschken 1988). A prospector strategy has also been associated with firms that have broad product market domains with a focus on innovation and change and a flexible administrative structure (Smith, Guthrie

& Chen 1989). These firms would have complex coordination and communication mechanisms relying on decentralized decision-making to be ready to grab any market opportunity (Hambrick, 1983). Technological flexibility is a crucial aspect of this strategy (Thomas &Ramaswamy, 1996). Reactors have no consistent substantive stance. Although managers in reactororganisations frequently perceive change and uncertainty, they lack a coherent strategy because the organisation ‘seldom makes adjustment of any sort until forced to do so by environmental pressures’ (Miles and Snow 1978). Indeed, a reactor stance has been equated with an absence of strategy (Inkpen&Choudhury, 1995). Reactors, therefore, are likely to have a formal stance imposed by external agencies, such as regulators. Even if a reactor is instructed to behave like a prospector, it may lack the culture and expertise to successfully adopt this strategy. The firm focuses on activities that need immediate action with little or no forward planning. Finally, Analyzers are a hybrid of the prospector and defender types combining the strengths of both. A true Analyzer is an organisation that attempts to minimise risk while maximising the opportunity for profit. The firm has multiple products but adopts both stable and flexible technology with matrix or product-oriented structures. Further, firms adopting these strategies penetrate deeper into the market they serve, adopting new products only after thorough analysis and proven potential (Conant, Mokwa& Varadarajan,1990).

Galbraith &Schendel (1983), from an empirical analysis of consumer products companies from the Profit Impact of Market Strategy (PIMS) research database proposed six generic strategies of harvest, builder, continuity, climber, niche and cashout. The PIMS database represented more than 1,200 business components from which they extracted 26 managerial controlled variables. The harvest strategy type is practiced by firms that seek to dispose of products through discounted prices, while at the same time providing decreased support in terms of promotion or research and development to the product. Firm adopting the builder strategy type attempt to rapidly expand sales and/or gain market share position. Strategies in this category tend to promote the high visibility of the product byemphasizing a degree of product differentiation in the market. The continuity strategy type seeks to maintain the status quo by adapting to industry norms or imitating competitor strategies.

The climber strategies are adopted by firms seeking to improve their posture. These firms typically have narrow product bases, low prices and inferior quality as compared to the industry averages. The niche strategy emphasises high quality product characteristics. Finally, the cashoutstrategy tend to command high prices, maintain high quality and have a broad range of products. It applies to mature products with little investment dedicated to R & D for further product improvement. Herbert &Deresky (1987) proposed the four generic strategies of Develop, Stabilize, Turnaround and Harvest from a review, synthesis and categorization of strategy classifications from the literature. The typology attempts to provide a broader description of strategies by including variables such as marketing, investment, product policy and structure. The Develop strategies are employed by organisations that are trying to grow by exploiting new product and market opportunities. There is a greater focus on the generation of long-term earnings, more than short-term profits and cost efficiency. Product and market emphasis is shown through continual monitoring of the external environment to keep pace with technological and market change; high investment for developing and launching new products and processes, market development and intensive pursuit of market share; flexibility of operations and technology; and risk-taking, competitive pursuit of new opportunities.

Firms employing the stabilize strategy aim to maintain their competitive position efficient use of assets and/or market segmentation. Typical activities include production of a limited set of products with strict cost control; efficiency of standardized operations; technical product leadership; and focusing on niche markets difficult for competitors to penetrate. The turn-around strategy aims to stop and reverse a company that may be in decline as fast as possible. This is especially so, if the long-term value of the business as a going concern is seen to be greater than its liquidation value. By necessity some form of drastic change is common. Typical activities include short-term cash generation (changes in management, changes in budgeting and control systems, cost control, product streamlining); divestment from unprofitable units; diversification; and expansion, acquisition, integration and/or mergers. Finally, the harvest strategy is normally entered to wind down and divest from the business. Typical reasons to do so may include, unsuccessful turnaround strategy implementation or recognition of significant changes in the external environment. The main focus is on meeting minimum financial targets and to attract buyers. Activities carried out under this strategy include developing operational efficiencies; intense pruning of less profitable business lines and markets; intense reduction in costs and assets; emphasis on the immediate term; and immediate profits or cash flow take precedence over market share. The above discussion of generic strategy typologies have focused on organisational strategies.

VanGelden, Frese&Thurik (2000) argue, however, that for small business start-ups individual and psychological strategies should also be considered. This view has been supported by Dickson &Weaver (1997) who state that the strong influence of the founders of companies, and their dominance in decision making suggests a high degree of similarity between individual and organisational levels of analysis. At the individual level, strategies may be regarded as plans of action, influencing how we do things. Further, Rauche&Frese (2000) state that whereas for large firms the right level of analysis to establish organisational success may be at the organisational level, for small firms, the owner is typically the source of action for the firm. For micro enterprises especially, the owner will have a greater impact on the enterprises polices, culture and actions. vanGelden, Frese&Thurik (2000) proposed a generic strategy typology based on four psychological strategies – Reactive, Opportunistic, Complete Planning and Critical Point – and their effect on the way in which founders of firms deal with situations. Reactive strategy suggests that one does not make proactive use of information or have planned actions, but are driven by the situation. Someone following a Complete Planning Strategy, however, plans ahead and has a proactive orientation using clear knowledge. An Opportunistic Strategy, on the other hand, has some rudimentary plan, but the person following this approach readily deviates from these plans if opportunities arise (Palatano&Seifert, 1997). Finally, a founder following the Critical Point Strategy attempts to solve the most difficult, most important and most unclear issues first, before tackling any others.

These four strategies may then be geared towards the small business founder's goals or situation. For those geared towards the situation, they can either be reactive to the situation – Reactive Strategy, or embark on multidirectional planning, emphasizing use of proactively sought after opportunities – Opportunistic Strategy. For those who are goal oriented, a top-down approach can be employed with a completely worked out plan Complete Planning Strategy, or one can focus planning on areas of particular importance - Critical Point Strategy (Frese, Stewart & Hannover 1987)

2.12 Strategic Action Typologies

The generic Competitive Business Strategy (CBS) typologies of, or based-on Porter (1980, 1985) dominate the strategic management literature. Porter settled on three key generic strategies that a business can adopt: cost leadership, differentiation and market focus. The three strategies can be characterized along two dimensions of competency (cost or differentiation) and market scope (focused or broad).

The cost leadership strategy aims to have the lowest price in the target market. To achieve this, while remaining competitive, companies following this strategy must be able to operate at costs lower than their competitors. Low costs can be realised via high asset turnover, low operating costs, and control over the supply chain. Low cost strategies are aimed at achieving low margins and high volumes.

Differentiation strategies seek to earn above average returns by creating brand loyalty. The latter can serve as a strong entry barrier to competitors. These strategies are most applicable to market segments that are competitive, not price sensitive, and have specific needs that are under-served. The firm therefore must have unique and hard-to-copy resources and capabilities to meet the customer requirements. Differentiation strategies tend to achieve high margins and low volumes, focus strategies target segment.

Figure 2.2 Porter's three key generic business strategies

SOURCE: Porter's (1980)

Segment of the market whether a specific consumer group, product line or geographic area. Firms adopting this approach focus on either a low cost position or a differentiation strategy within its target market. Porter's generic strategies have been widely accepted by researchers.

Porter's generic strategies may be treated as different dimensions that define the strategic outlook of a business. A firm may chose to follow any of the strategies to a greater or less extent, leading to Porter's generic strategies being used in combination. Successful combination strategies may create synergies that overcome any negative tradeoffs that may result from the combination (Parnell, 2006). Studies in support of 'hybrid', 'mixed', 'integrated' or 'combination' strategies include Kim, Nam &Stimpert (2004), Spanos, Zaralis&Lioukas (2004), Pertusa-Ortega, Claver-Cortes & Molina-Azorin (2009). Alpkan, Bulut&Mert, (2005) in a study of Turkish firms, demonstrated that low cost and differentiation strategies can be profitably pursued simultaneously.

The strength of Porter's strategies were adequately captured by Hambrick (1983) who stated that 'Porter's typology of generic strategies seems especially useful, because it builds on previous findings and it is appropriately broad, but not vague.'

Dess& Davis (1984) sought to establish if intended strategies could provide empirical support for the presence of strategic groups based on Porter's typology and of firms that identified with at least one of Porter's generic strategies out-performed those who do not, the so called, stuck-in-the-middle. Carrying out a study among 22 non-diversified manufacturing firms in the paints and allied products industry, where the CEOs were asked to state the importance of the competitive methods. Using factor analysis they were able to show that in general firms that committed are to at least one of Porter's categories of generic strategies out performed those who did not (stuck-in-the middle). They however noted that if a large number of firms pursued a similar generic strategy orientation, then they would fail to have competitive advantage over each other. As they stated about firms in their study (Dess and Davis, 1984), 'A large number of firms in the sample were identified as pursuing a differentiation strategy, and this may have inhibited the ability of firms in this group to realize as high a level of performance as those in other less populated groups.' (Dess&Davis, 1984)

A common thread of all these studies on Porter's CBS is that they were based on medium and large enterprises. Porter's work was mainly been developed from an analysis of large cooperations in mature markets. As argued by Wright (1987): '..choices of generic strategies have limitation boundaries in terms of size of the firm and its access to resources, as well as industry and competitive analyses....large firms in an industry with greater access to resources may primarily compete with the cost leadership and differentiation strategies. And the smaller firms can only viably compete with the focus strategy.' (Wright (1987)

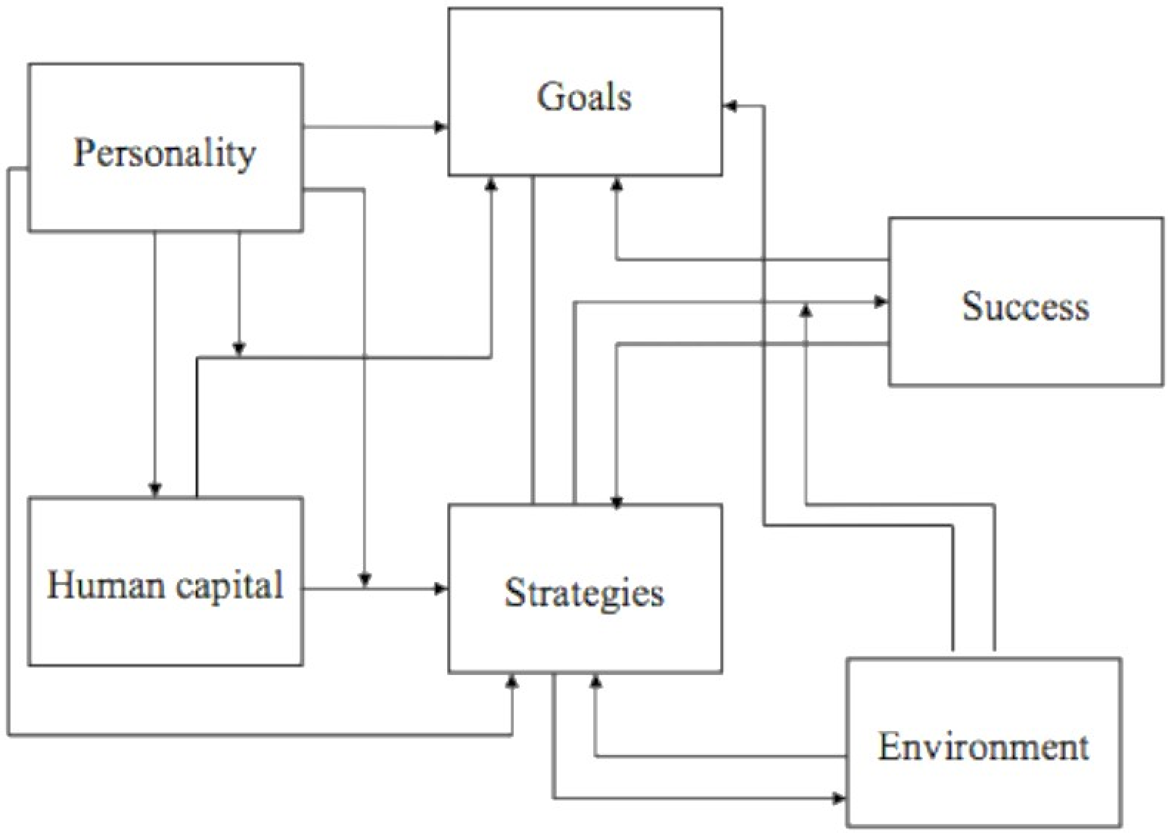
Miller (1987) proposed a business typology composed of four strategic dimensions that a firm could pursue: complex innovation; marketing differentiation, breadth and conservative control. The complex innovation strategic dimension determines the extent to which a business regularly brings to market fundamentally new products and services. Those pursing this dimension are similar to Porter's differentiators or Miles and Snow's prospectors. The marketing differentiation strategy seeks to create customer loyalty by meeting a particular need, through aggressive marketing. The breadth dimension captures the market scope of the business, from example as measured by variety of customers,geographic range and number of products. Finally, the conservative control dimension determines the extent to which a business controls its costs. Several researchers have also developed CBS typologies, based on Porters work (Mintzberg, 1988; Beal &Yasai-Aderkani 2000; Pertusa-Ortega, Claver-Cortes & Molina-Azorin 2009).

These typologies have retained the basic concepts of cost leadership and differentiation, but have split the differentiation dimension into sub-dimensions in an attempt to provide refined models that better capture business strategy complexities. For example, Mintzberg (1988) proposed a six dimension typology of cost leadership, marketing differentiation, marketing image differentiation, product design differentiation, quality differentiation, support differentiation; and undifferentiation.

Beal and Yasai-Aderkani (2000) similarly proposed five dimensions of cost leadership, innovation differentiation, marketing differentiation, quality differentiation; and service differentiation. Finally, the three-dimensional typology of Pertusa-Ortega, ClaverCortes& Molina-Azorin (2009) is based on cost leadership, marketing-based differentiation, and innovation-based differentiation. These typologies, however, have received limited empirical support in the literature.

Rauch &Frese (2000) proposed an interdisciplinary model of entrepreneurship for small businesses with attendant strategies, the Giessen-Amsterdam model shown in Figure 2.3. Within the model, they posit that the concept of action is central, with strategies and tactics of action serving as the conduit through which all entrepreneurial success is accomplished. The influence of personality, human capital and the environment on business success, they argue, is therefore mediated by strategies and tactics of action. Rauch &Frese (2000), however, state that strategic content approaches may be deficient in their lack of sophisticated classification systems, in that they are mainly focused on products, markets and competitors, with little direct relation to suppliers, customers, and environmental conditions.

Figure 2.3: Giessen-Amsterdam Model of Entrepreneurship



SOURCE:Rauch and Frese (2000)

2.13 Contingency Theory and Generic Strategies

In the context of generic strategies, contingency theory seeks to link each generic strategy to an environmental preconditions, thereby also establishing a link between generic strategies and the strategic means used to implement them (Murray, 1988). Hambrick (1983) posits that the appropriate generic strategy to use will depend on a given situation.Phillips, Chang &Buzzell (2001) indicated that the success of the generic strategies will vary with the type of business to which they are applied. Day (2011) linked the use of generic strategies to customer perceptions of product offerings. Murray (2010) sought to provide a theoretically based contingent approach to the use of Porter's generic strategies. They sought to determine and justify, under which conditions each of Porter's three generic strategies should be applied. A summary of his work is provided in Table 2.6.

Table 2.6: External Conditions under Which Porter's Generic Strategies May be Viable

Contingencies
Focus Strategy viable if • Customer needs within the given product class are heterogenous, *and* • None or negative synergies between the value chains associated with the product offerings targeted at each individual market segment.
Cost leadership viable if • There is a high transaction costs or differentials in the cost of producing the inputs, and if these costs or differentials can be overcome vertical integration or some other means of getting preferential access, *and/or* • Significant innovations can still be realised from the technologies employed in the value chain, *and/or* • learning effects can yield significant cost improvements from complex employed process technologies, *and/or* • Optimal scale from a significant part of the value chain exceeds half the market.
Differentiation viable if • Customers attach weight to product attributes other than price when making purchase decisions, *and/or* • Significant product innovations can still be achieved from the state of development of product technologies, *and/or* • Significant quality or service differentials between competitors product offerings can be maintained due to sufficiently complex process technologies.

SOURCE: Murray (2010)

2.14 Strategic Alliance

Numerous theories can be found in the literature seeking to explain the formation of horizontal linkages, often referred to as strategic alliances. These theories and models include transaction cost economics, game theory, the making model, social exchange theory, power dependence theory and the resource-based theory (Das &Teng 2000). In the transaction cost economies model that dominates the literature, the main focus is on firms forming alliances to minimize the sum of their transaction and production costs. Here the transaction costs are defined as costs that originate from activities necessary for an exchange, while production costs come from in house coordination activities (Williamson, 2005). The resource-based model views strategic alliances as a means to access the resources of another firm, thereby gaining hitherto unavailable competitive advantage. In other words, firms seek to 'aggregate, share or exchange valuable resources with other firms when these resources cannot be efficiently obtained through market exchanges (Das &Teng, 2000).

A close review of the literature on MSEs seems to suggest that strategic alliances, also referred to as inter-firm cooperation, is a key ingredient on those which are successful (Lange, Ottens& Taylor, 2000; De Propis, 2002; Wattanapruttipaisan, 2002; Kula, Choudhary&Batzdorff 2005; Makombe, 2006; Kabukuru, 2011). Schemerhorn, (1975 in Biiru, 2011) define inter-firm cooperation as 'the presence of deliberate relations between otherwise autonomous organisations for the joint accomplishment of individual and operating goals'. Inter-firm cooperation is formed by at least two businesses who remain legally independent, share benefits and managerial oversight on agreed and assignedtasks, and make contributions in agreed upon strategic areas (Yoshino &Rangan,1995).

Businesses seek to form strategic alliances for a diversity of reasons, but as argued byTodeva&Knoke (2005), decisions 'to cooperate not a responsive action, butis fundamentally a strategic intent, which aims at improving the future circumstancesfor each individual firm and their partnership as a whole.' From a resourcebased view, strategic alliances are typically formed when both firms are in needof resources and/or possess valuable resources to share (Eisenhardt&Schoonhoven, 1996).

Alliances serve as a vehicle for obtaining otherwise unattainable competitive advantages and values to the firm (Das&Teng, 2000). This may be even more importantfor small businesses who may lack their own resources to allow them to adequatelyrespond to threats and to take advantage of available opportunities (Palakshappa and Gordon, 2007).

2.15 Success Defined by Own Perception

Garoma (2012) stated the contention that success is a subjective concept and better be explained by respondents. Neerly (2007) advocated that understanding how people perceive their jobs is an equally important indicator of success as objective measures. According to Garoma (2012), objective responses were checked against the subjective responses given by the owner managers.

Table 2.7: Differences between Subjective and Objective Measures in Business Performance.

Differentiation Aspect	Subjective Measures	Objective Measures
Indicator	Focus on Overall performance	Focus on actual financial indicator.
Measurement Standard	Key informant are asked to rate the performance relative to their competitors (and /or industry).	Key informants should provide absolute financial data.

Scale Anchors	Scales range from "very poor" to "Very good" or "much lower " to " much higher " or " worst industry to " best industry"	Scales are not used.

Source: Adapted from Dawes (1999); Wall, Michie, Patterson, Wood, Sheehan, Clegg and West, (2004)

A five scale measure on 'How satisfied you are in your work?' is crossed checked with growth rates of our objective financial performance indicator. The scale range from one to five , where 5 stands for very satisfied, 4 stands for satisfied, 3stands for neither, 2 stands for dissatisfied and 1 stands for very dissatisfied. A correlation test was performed between each of the objective indicators and the scaled subjective response on satisfaction. The correlation analysis revealed that satisfaction varies directly with objective indicators of success and this is significant at the ($p = 0.01$) level of significance. From the correlation it can be deduced that there is a tendency that enterprises with growth rate in employments, profit and turnover perceive themselves as successful based on their own definition of success.

Many studies show a preference for subjective measures during the assessment of business performance due to difficulties in obtaining objective financial data (Zulkiffli, &Perera, 2011).Managers often refuse to provide accurate, objective performance data to researchers. Even if objective data is availed, the data often do not fully represent firm's actual performance, as managers may manipulate the data to avoid personal or corporate taxes (Dess& Robinson, 2004; Sapienza, Smith & Gannon, 2010). Subjective measures can be an effective way to examine business performance. Managers often are encouraged to evaluate business performance through general subjective measures that can reflect more specific objective measures(Wall, Michie, Patterson, Wood, Sheehan, Clegg & West, 2004). Many managers prefer to provide performance measurement data subjectively to protect confidentiality (Olson, Slater &Hult, 2005)

2.16 Validity of Subjective Performance Measures

Subjective measurements are strongly correlated with objective measurement (Dess& Robinson, 2004). Three validity tests have – convergent, divergent and construct- been used to show that subjective measurement is significantly reliable as an alternative to objective measurement in business performance.

2.8: Results of different Validity Tests to Measure Business Performance

Validity	Results
Convergent	Subjective performance measures are related to objective measure
Discriminant	Relationship between subjective and objective measures are systematically stronger than relationship between different performance constructs measured using the same method (either subjective or objective)
Construct	Relationship between subjective and objective performance measures with a series of independent variable are equivalent. Subjective performance measurement has a statistically significance correlation with objective measurement (p = 0.01) Subjective measurement show a 96% success rated as compared with objective measurement.

Source: Adapted from Wall, Michie, Patterson, Wood, Sheehan, Clegg and West, (2004)

Performance is among the most significant dependent variables for researcher concerned with almost all areas of management (Richard, 2008) for the reason that it explains how well an organization is doing (Obiwuru, Okwu, Aka, &Nwankwere, 2001). In all aspect of strategic management and management field, the term performance is not new (Aminu&Shariff, 2015); for example performance assessment or evaluation, performance management and performance measurement are frequently used in the various field of business and of management science. Nevertheless, there is no one best accepted definition of performance; it depends on the areas and specialties of the person defining it (Augustine &Madhu, 2012). MSEs performance has been studied by a number of researchers in several literatures and they concentrated mostly on examining causes of performance (Hitt, 2014). Organizational performance is defined as the ability ofa firm to realize its objectives such as high profits, good financial outcome, good quality products, large market share and long term survival, using relevant strategies for action (Neerly,2007).It is an indicator of how well a firm realizes it objectives (Ho, 2008).

Richard (2008) defined organizational performance as encompassing three specific areas of organization outcomes: financial performance, product market performance and shareholders return. Based on the study by Luthaus, Adrien, Anderson, Carden&Montalvan(2002) business performance can be defined in terms of the following elements: Effectiveness refers to the ability of the organization to attain its objectives vis- a- vis those competitors in the same market, e.g. sales growth and market share. Efficiency: accuracy, how economically the organization can turn resources input into results, Financial viability: Ability to nurture required fund and Relevance: Adaptive to the stakeholders and its environment. Tangen (2003) argue that organizational performance measures have metrics selected to measure the efficiency and effectiveness of an accomplishment/achievement by business organization. Business performance can be measured quantitatively and qualitatively (Augustine &Madhu, 2012); in other words it can be measured by looking at economic variables or non-economic variables.

Several studies on business performance use a number of organizational resources to measure performance of MSEs. Some of the factors include social capital, short term debt, total quality management, IT usage, learning orientation, social network, innovation and entrepreneurial orientation (Covin, Green &Slevin, 2006), (Lucky, Minai& Adebayo, 2011), (Hitt, 2004), (Buemo, 2004), (Fornel, Arribas& Vila, 2012), (Al- swidi&Mahood, 2012), (Augustine &Madhu, 2012). A number of studies used competitive advantage in investigating firms performance (Tovstiga&Tulugurova, 2009), (Mahood& Haneti,2013),(Martinette and leeson,2012). In addition, since small businesses are not operating in a vacuum, an encouraging business environment and healthy overall economic situation as a whole are good predictors of performance (Huang & Brown,1999).

The performance dimensions relate to discussion of performance dimensionality (Roy & Wheeler, 2006)). Carton &Hofer (2006) identified five dimensions: financial performance, customer satisfaction, employee satisfaction, social performance and environmental performance. The multi-dimensionality implies indicator of different dimensions cannot be used interchangeably since they represent different aspect of business performance (Hitt,2014). Strategy may also have different impacts on each dimension (Braun & wally,2003).

Financial performance dimension according to Neerly (2007) is divided into profitability and growth which he argued that using only profitability measures, as often happens is an inadequate representation of financial performance and can represent a flaw to empirical studies. Recent research defines competitive advantage as the ability to create more economic value than marginal (breakeven) competitor in its product market (Peteraf&Barney,2003). Economic value is the wedge between willingness to pay and the economic cost. If price is set below competitors price, competitive advantage may manifest itself primary in growth and not in profit. If price is set above competitors the opposite would occur. Thus measuring market growth value and profitability simultaneously seems conceptually justified.

An organization performance is partly determined by how effectively and efficiently business strategy is implemented (Oslon,Slater&Hult,2005). Shiu& Walker (1999) note thatmicro and small enterprises do not enjoy economies of scale, however, they have the advantage of quickly adjusting to competitive pricing and have a high speed of adoption to innovation.Hitt (2014)further notes that this enables them operate profitably alongside multinational. According Shaw (2011), “Not all the micro and small enterprises are able to adapt to external changes. Those that do not adapt fast enough to a fast-paced economic environment quickly become unprofitable and fall out of business”. Where competition is very stiff and rate of imitation is very high, commitment to customer value-focused innovation is vital to sustain competitive advantage (Wheelen& Hunger2001). Slater (1997) suggest that this can be achieved through developing new products or reformulating existing ones, creating new manufacturing methods or distribution channels or discovering new approaches to management or competitive strategy. AccordingVilalonga (1991), firms environment is increasingly turbulent, complex and competitive and the market place is dynamic due to demographic and socio economic shifts.

According to Day(2005) ICT has increased in importanceas a source of competitive advantage. Slater(1997) states that “ superior performance is a result of providing superior customer value; it’s not an end in itself” Resource based view allows the possibility of superior performance by a firm based on specific combination of resources that is valuable, rare and difficult of imitate (Barney,2014). Nyabwanga(2002) argue that low cost producers compriseof relatively fixed machinery and standardized operator task. Figure 2.4 shows operational framework. performance is measured by profitability ratio for example return on investment, return on sales and return on equity), growth in employees, growth in market and growth in assets.

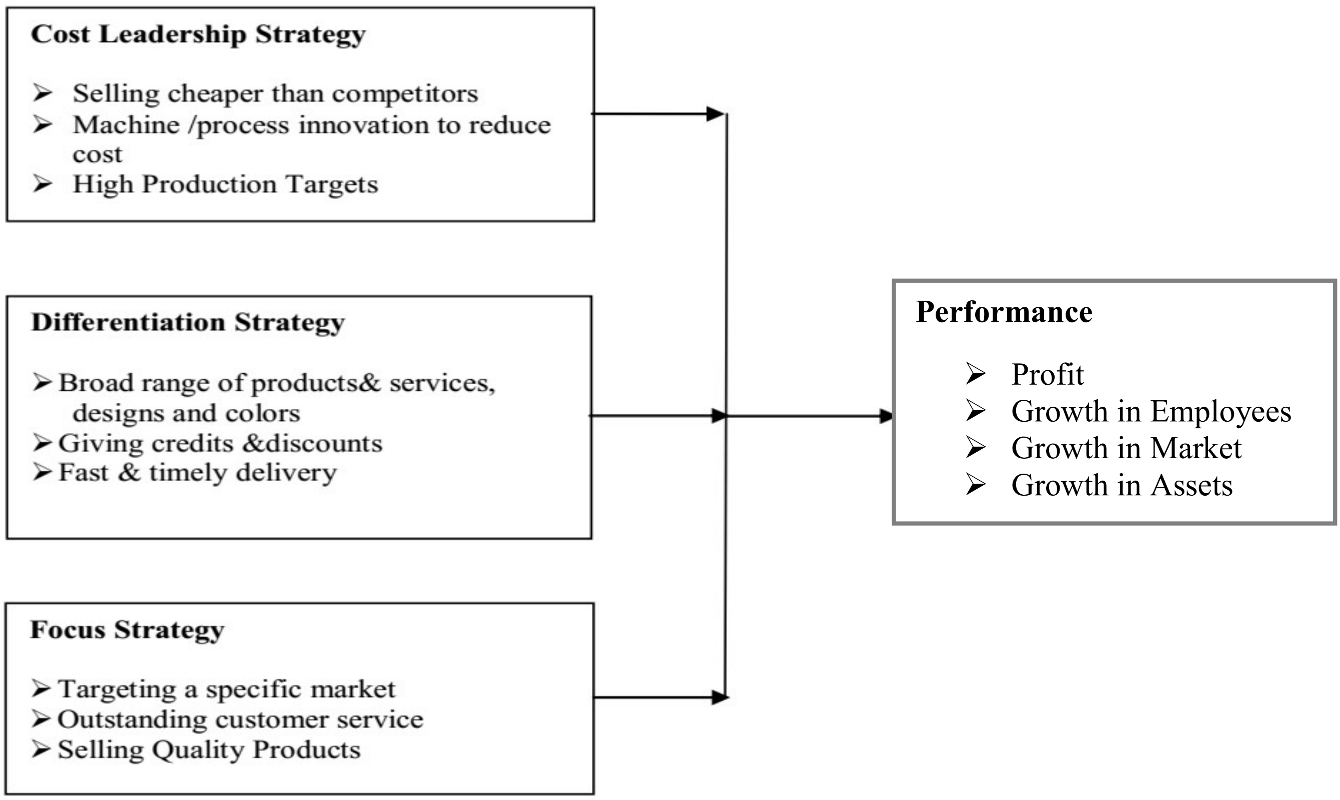
According to Chong(2008); various theoretical frameworks exist to evaluate ‘performance and effectiveness’, which can be achieved through four approaches: the goal approach, system resource approach, stakeholder approach and competitive value approach.Oslon, Slater &Hult, (2005) states that business performance is presented in terms of growth in market share among others. Growth in number of employees is most commonly used measure of success for small firm (Neerly,2007). In cases where there is no panel data, firms answer a retrospective question about past and present size of employment, to compute growth. According to these researchers' perception, a firm is successful if it increases in size (measured by number of employees). The implicit assumption is that growth in employment size is associated with higher profits (Hofer,2005). The main justification for relying on employment growth as an indicator of success is that use of other dimensions of success indicators will become more complicated when, for example, firms do not keep complete books of records.

Employment growth is a conservative measure of firm success because a firm usually employs more labour long after it has realized profit (Hitt,2014). Garoma(2012) argues that owing to its objectivity and ease of obtaining data, many researchers study success using employment growth. Pannell(2006) asserted that one of three indicators of micro and small scale enterprises success in Africa is number of employees. Pannell(2006) mentions the difficulty of measuring profit by small enterprise owners on several grounds. He argues that, as these businesses do not keep complete books of accounts they might not figure out true financial values. Moreover, income from the business supports household consumption thereby complicating computation of revenues and costs accruing to the business. Perceptual performance is captured in a five-point Linkert scale. The Linkert scale is also preferred since it is able to deal with a large number of items and difficulties in eliciting specific information from the respondents (Daniel & Okibo,2015).

Welnefelt(2016) argued that resources and strategies is a key element for management decisions to determine the long term company performance. Company's strategy is an important part of company's organizational system, which will play an important role in improving business performance (Slater, Oslon, &Hult, 2006).

As noted by Yamin, Gunasekaran&Mavondo (1999) and Finney &Lueg(2007), much research supports the direct influence of the Porter's competitive strategy on financial performance.Nahkata(2007) found a positive relationship between human capital and financial performance.The innovation activities trend(human capital) is positively related to performance(Husnah, Subroto& Aisjah,2013). Human resources in terms of formal education knowledge skills affect business management. Results by Amoako&Aquaah(2008) and Kong and Thompson (2009) suggest that human capital had no effect (low effect) on performance when not mediated by Porter's competitive strategy.

Figure 2.4: Operational framework



SOURCE: Daniel &Okibo (2015)

2.17Relationship between competitive strategy and MSEsPerformance

Performance is a crucial concept in management research (Chakravarthy, 2014). Managers are judged based on their firms performance (Sila, 2007). Good performance influences the firm's continuation (Steer, 2014). Firm's success is manifested in attaining competitive position and series of competitive positions ensure superior and sustainable competitive performance (Porter,1980). Indeed achieving superior performance requires that firms adopt strategic postures that will aggressively give them a firm hold of their market. Therefore, management must focus on organizing their business to be customer oriented and proactive to industry competition (Aaker& Day, 2008).

Competitive strategies represents the firms strategic choice and orientation about how to compete for improved performance (Aremu&Lawal, 2012). There are pointers to the fact that careful selection of appropriate strategies reflectmanagerial skillfulness, entrepreneurial capacity and likelihood of long term firm's survival (Choy &Mula, 2008). Across geographical boundaries and industrial sectors, competitive strategies have been found to have significant impact on performance (Sanusi, 2003). A study carried out in Kenya's health sector found cost leadership, product and market development, market focus and differentiation strategies significantly result in higher performance level (Mwanyi&Ombui, 2013).

According to Vlachvei, Notta&Demuri, (2010) examined the effect of competitive strategies on growth and profitability of greek industry. Their result reflected that larger firms performs better than smaller firms especially in terms of growth of sales. However small firms seemed to outperform larger firms in area of profitability. The trend could reflect the importance of innovation processes and inclusion of customer relationships in business activities; smaller firms are more prone to have competitive advantages in this regard. The literatures on strategy defines three necessary consistent set to explain firm success (Porter,1981).First the firm must develop and implement a consistent set of internal goals and functional policies that jointly defines position in industry. The second requirement for success is that this internally consistent set goals and policies align the firms strength and weakness with the opportunities and threats in the external environment. Finally the firm's strategy must be centrally concerned with creation and exploration of its so called distinctive competences. These are unique strength that set the foundation for a competitive success.

Peteraf (1993) identified sixteen competitive factors that small firms use. Six of them relate to products strategy (adaptation, scope of product, exclusivity, technological intensity, maturity, and size of orders); five to distribution strategy (similarity an number of models, intensity of contacts, and marketing coordination with intermediaries); three to price strategy (differentiation, lower export price, pricing according to local situation); and the last two factors relate to promotion(scope of promotional efforts and participation in trade fairs).Guthrie, Nyamoriand Spell(2002) did a study on 'correlation and consequences of high involvement work practices: the role of competitive strategy'. This study finds that" whereas more intensive use of high involvement work practices promotes firms effectiveness, this effect depends on the competitive strategy being pursued. The use of high involvement practices is positively associated with performance in firms competing on the basis of differentiation and shows no relationship in firms pursuing a strategy of cost leadership".

Bowen, Morara&Murelthi, (2009) did a study on Management of Business Challenges among small and Micro Enterprises in Nairobi, Kenya. In their study, 89.4 percent of the respondents cited 'Increased competition' as the most pressing challenge affecting small and micro enterprises in Nairobi. The researchers further found that: "When asked how they counter their competitors, 30.2 percent of the respondents mentioned good customer service followed by discounted offers (which vary according to clients), which was mentioned by 18.3 percent as the remedy. 7.9 percent of the respondents reported that they use price as competitive edge by selling cheaper than their competitors. Selling a variety of products was mentioned by only 6.3 percent of the respondents. Offering credit facilities, selling of quality goods and services and offering customers additional servcies like free training were mentioned by 5.6 percent,4 percent and 3.2 percent of the respondent respectively".

Sessional Paper no, 2 of 2005 on Development of SMEs for Wealth and Employment creation for Poverty Reduction has recognized the marketing constraints faced by the sector as: lack of access to information on the existing market opportunities and in exports, poor quality products and poor product design and differentiation, and lack of promotional activities, both locally and internationally. Market do not function well due to insufficient information, high transaction cost and stiff competition for similar products(Kiveu& Ofafa,2013). Information and Communication Technology (ICT) provides opportunities for SMEs to improve market access. Market access constraints include: poor quality products, lack of knowledge to explore niche markets, limited resources to promote their products and poor market research. ICT can improve market access by facilitating communication with customers, competitive positioning, enable information acquisition an production of quality products, generation of market information, reduction in logistics cost, facilities access to global market, facilitation market research, networking, market transaction and market identification (Kiveu and Ofafa,2013).competitiveness of MSEs remains weak due to poor quality, packaging, advertising and distribution (Kiveu and Ofafa,2013).

Bakar (2008) in his study on Entrepreneurial Challenges Confronting Micro Enterprises of Malaysian Malays revealed that the existing micro enterprises owner (MEOs) had strong motivations and better marketing approaches as compared to failed micro enterprises owner (FMEOs). The FMEOs failed in the business ventures mainly due to lack of management, sales marketing skills and poor competitive abilities to keep up with rivals. Braun&Wally (2003) established that training in micro enterprise investment had a significant positive impact on the performance of the micro enterprise with a standardized beta coefficient of 0.281 which indicated that a unit increase in the provision of training to SMEs resulted to 28.1% increase in performance.

Nyabwanga (2011) in his study on effect of capital management practices on financial performance of MSEs in Kisii south district established that majority of the small business owners or manager had just basic education and over 57% of them hardly attend any business training programs despite the establishment that over 60% of them had little or no knowledge in business management hence were void of management skills vital in the running of their enterprise.

Day (2005) in his study on the role of microfinance in supporting microenterprises in Thailand indicated that the involvement of micro financial institutions in promotion of microenterprise and processing industry through provision of information, knowledge, skills and linking the entrepreneur to information service providers plays a key role in economies of developed countries as a source of goods services and their overall performance.Hitt(2013); studied on Micro, Small and Medium Enterprises Growth and innovation in Kenya: A Case Study on the Women Enterprise Fund. They found that locating the enterprise in an urban area increased the likelihood that the business would decline in its gross profit. Urban decline on profit was partly attributed to heightened competition among low-end enterprises which characterized most women owned ventures in urban slums and informal settlements. According to Hitt(2013) these MSEs faced challenges including limited and shrinking market/competition, lack of business knowledge, low literacy levels among others. The study recommends that there should be enhanced and standardized training, development of legal framework for recoveries, business incubators for start-up, among others.

Nganga, Onyango&Kerre, (2011) and Bowen, Morara&Mureithi(2009) observed that from an entrepreneurial perspectives ,Small businesses focus on fragmented or niche markets due to their ability to innovate. The study recommended that MSEs should take initiatives to adopt change in their attitudes and approaches towards vital issues such as risk appetite, saturation of existing markets, changing customer needs, resource constraints, lack of training, lack of specialist and technical knowledge, and rising costs to enable them develop business models that will earn them competitive advantage.

Husnah, Subroto&Aisjah (2013) did a study on ‘Intangible Assets, Competitive Strategy and Financial Performance: Study of Rattan SMEs in Palu City of Central Sulawei (Indonesia)’. They found that intangible assets (human capital, organizational capital and relational capital) can directly increase the accuracy of competitive strategy selection and competitive strategy directly affect financial performance. “It can be proved that integration model intangible assets increase financial performance maximally when mediated by a competitive strategy selection.”Husnah, Subroto&Aisjah, (2013). They asserted that intangible assets are important investment since they are the basis for determining competitive strategy to achieve more optimal financial performance of the Rattan SMEs.

2.18 Theoretical Framework

2.18.1Resource Based View (RBV)

The resource based view (RBV) is a management tool used to evaluate the resources available in the firm. In essence, the resource based view is based on the idea that the effective and efficient application of all useful resources that the organization can gather helps determine its competitive advantage. It seeks to explain the internal sources of a firm's sustained competitive advantage. Its innermost proposition is that if a firm is to attain a state of sustained competitive advantage it must obtain and control valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities plus have the firm in the place that can absorb and apply them (Barney, 2014). The resource base view as a foundation for competitive advantage of a firm is rooted primarily in the bunch of valuable, tangible or intangible resources at the organization's disposal (Welnefelt, 2016). Welnelfelt in his work titled "A resource based view of the firm" argued that the success of a firm in its product market was a result of its advantage in the factor market (or resources). Hamel &Prahaled (2016) gave a practical approach to the resource based view, by calling them the core competence of the cooperation. They also clarified that to add value to the firm, resources must be inimitable. Barney identified four characteristics of resources that would be required to generate sustainable competitive advantage to firm-resources must be valuable, rare, inimitable and non-substitutable (Barney,2014).

Company's strategy is a vital part of the firm organizational system that will play a crucial role in improving the business performance. The production of goods and services as well as wealth creation is dependent on the resources available to the organization especially intangible assets (Husnah, Subroto, &Aisjah,2013). Intangible assets and effective management are sources of competitive advantage. This has pushed most firms to improve the performance of its non-monetary assets because the strategy influences the overall performance of the company significantly (Cho and

Pink, 2005). It's been argued by experts that intangible resources are moreable to generate sustainable competitive advantage (Hitt, Ireland &Hoskisson, 2014). Intangible resources are strategic assets to achieve SCA (Sustainable Competitive Advantage) because it meets the criteria of valuable, rare, imperfectly inimitable, and non-substitutable (VRIN) (Barney, 2014). The substance of thought is that competitive advantage can only be attained by implementing the right competitive strategy. Intangible assets that generally mediated selection strategy to attain the MSEs performance are based on the following view. Intangible assets use theory of Resource Based View (RBV). The assumption is that every firm is an aggregate of unique resources and capabilities that become the basis to determine the strategy and the principal sources of business in generating returns(Rumelt,2002). Welnefelt(2016) and Sampurno (2010) postulate that firms obtain competitive advantage by leveraging the unique resources and strategies. Performance is influenced by tangible assets, resource qualification and also mediated by right section of competitive strategy. Integration of intangible resources, competitive strategy and company performance become solution in globalization phenomenon, specifically in MSEs(Cho & Pink, 2005).

The RBV seeks to explain the performance differences of firms belonging to the same strategic group within an industry by focusing on resource heterogeneity in an industry, and the sources of sustainable competitive advantage (Akio, 2005). Firms facing similar external environments with similar initial resource endowments should result in similar behaviour and performance. However, firms are able to leverage their unique tangible and intangible resources to give them competitive advantage through their internal structures/organisations, strategies and core capabilities (Masakure, Henson &Cranfield, 2009; Kor, Mahoney &Michael, 2007). Resource-based theorists view a resource as anything that could be thought of as a strength or a weakness of a given firm. These include routines (Nelson and Winter, 1982), functionally-based distinctive competencies (Hitt& Ireland, 1985; Snow &Hrebiniak, 1980), unique business experience combinations (Huff, 1982), organisational culture (Barney, 1986), organisational learning (Teece, Piscano&Shaun, 1997), entrepreneurship, and human resources (Amit&Schoemaker, 1993). Several resource typologies have emerged in the literature as scholars attempt to define broad classifications of a firms resources. These include tangible and intangible resources (Grant, 1991); physical capital, human capital, and organisational capital (Barney, 1991); financial, human, physical, managerial, organisational and technological resources (Hofer &Schendal, 1978); and knowledge-based resources (Miller &Shamise, 1996). In the latter typology, property-based resources are all the legal properties the firm owns. These include the financial capital, as well as physical and human resources. On the other hand, knowledge-based resources are the firms intangible knowledge and skills. They include tacit know-how, skills, and technical and managerial systems not patent protected. They tend to be vague and ambiguous and therefore hard to imitate by competitors.

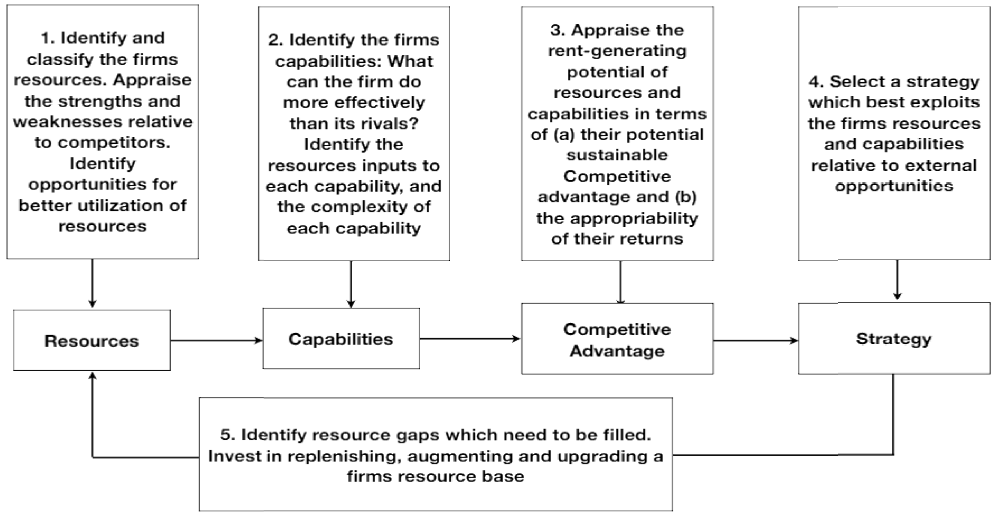
Further, Rumelt (1984) posits that firms may start as homogeneous but with 'isolating mechanisms' then become differentiated such that their resources cannot be perfectly imitated. It has also been suggested in the literature that resource factors differ in their 'tradeability', where a tradeable factor is one that can be specifically identified and its monetary value determined via a strategic factor market (Barney, 1986a). A more concrete framework for sustainable competitive advantage based on resource-based theories was put forth by Grant (1991). With reference to Figure 2.5, he proposed a five stage procedure for strategy formulation based on the resource-based view (RBV): analyzing a firms resource-base, appraising the firm's capabilities, analyzing the profit earning potential of the firms resources and capabilities, selecting a strategy, and finally extending and upgrading the firm's pool of resources and capabilities.

According to Grant (1991), a long-term strategy formulation is best grounded on the portfolio of a firm's own capabilities and resources serving as the basis to form its identity. This is because, 'although the competitive strategy literature has tended to emphasize issues of strategic positioning in terms of the choice between cost and differentiation advantage, and between broad and narrow market scope, fundamental to these choices is the resource position of the firm.' (Grant 1991).

In other words, long-term business strategy should be seen as the need to obtain Ricardian rents, that is, returns from the firms resource which yield competitive advantage over and above the reals costs of the resources. The manner in which resources form the basis of profitability is summarized in Figure 2.6.

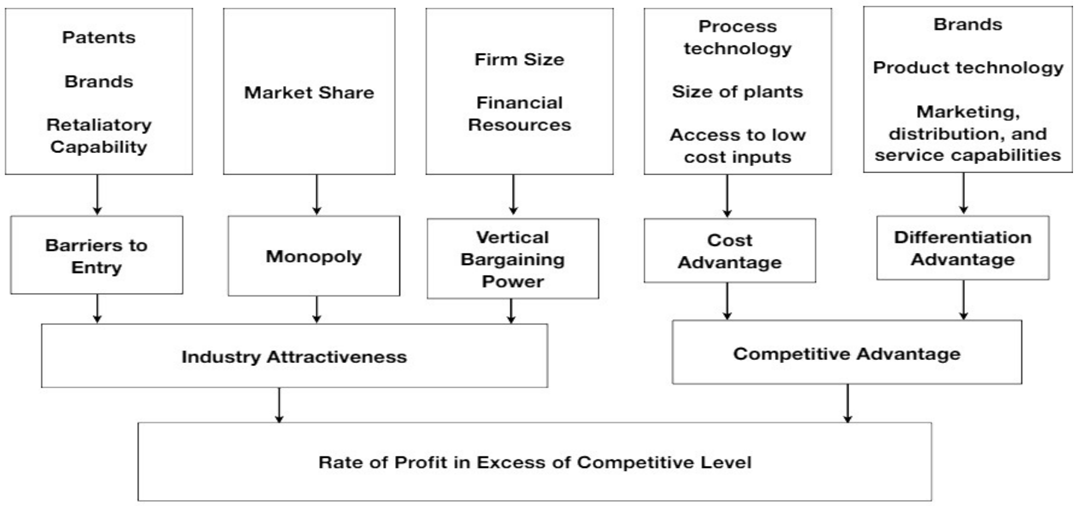
Resources, by themselves, however, do not provide competitive advantage to a firm. Exploitation of resources to yield profit requires the coordination of teams of resources. Capability is the ability to leverage a team of resources to perform some task or activity. It involves complex patterns of coordination between personnel, as well as personnel and other resources. Capability is anchored on the successful integration of numerous organizational routines – regular and predictable patterns of activity made of coordinated actions by individuals (Nelson and Winter, 1982) – for example, routines in the production floor, routines employed by top management in the firm, and routines in strategy formulation. As stated by Grant (1991), 'while resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage.' Snow &Hrebiniak (1980) were able to identify ten function areas (which

Figure 2.5: A Resource-Based Approach to Strategy Formulation



SOURCE: Grant (1991)

Figure 2.6: A Resource as the basis for Profit



SOURCE: Grant (1991)

they referred to as 'distinctive competencies') closely linked to the capabilities of firms in relation to exploitation of their resources. These are general management, financial management, marketing and selling, marketing research, product R&D, engineering, production, distribution, legal affairs and personnel. The key to getting competitive advantage is successful integration of a few key, relevant functional capabilities to exploit the resources possessed by the firm.Grant went on to state that the returns to a firm's resources and capabilities will depend on (1) the competitive advantage accruing to the firm from the resources and capabilities, and (2) the ability of the firm to extract profits from the resources and capabilities. Over time, however, it is expected that the competitive advantage will be eroded as other firms imitate or acquire superior resources and capabilities.

Barney (1991) proposed four criteria that the resources must haveto maintain sustained competitive advantage (SCA): value – the extent to which the firm's combination of resources fits the external environment so that the firm is able to exploit opportunities and/or neutralise threats in the competitive environment; rareness – the physical or perceived rareness of the resources in the factor markets; inimitability – the continuation of imperfect factor markets via information asymmetry such that resources can only be obtained or recreated by other firms with a cost disadvantage; and substitutability – extent to which product and services on offer can be substituted by similar offerings from competitors. The key to successful strategy formulation, therefore, is to design strategies that effectively use these core resources and capabilities of the firm to support sustainable competitive advantage. Strategy formulation factors in the time-frame of the firm's strategic planning process. Where resources and capabilities are easily transferred or imitated or are not able to remain rare, the firm must either adopt a short-term harvest strategy, and/or develop new sources of competitive advantage.

According to Akio (2005), and in the context of Grant's (1991) framework, firms that control valuable and rare resources are able to obtain competitive advantage. Sustainable competitive advantage is then obtained if these resources are also non-imitable and non-substitutable. Further, Foss & Foss (2005) states that it is these latter two criteria that describes situations where all attempts by competing firms at imitating or substituting the firm's valuable and rare resources have ceased, yield SCA. In addition, the digital age has reduced the importance of physical boundaries and combined with an increase in transaction speeds, has further increased the attention of firms on organisational resources that would enable a firm to establish and maintain competitive advantage within a faster, more complex environment (Parnell, 2006). SCA for the firm, however, presumes the resources cannot be easily replicated by the competing firms, which may result in erosion of the competitive advantage. Dierickx& Cool (1989) argued that the firm's competitive sustainability is anchored on how easily (or not) it is for a firm's resource to be substituted or imitated, where imitability is tied to the aspects of the asset (resource) accumulation process. These include the time compression diseconomies, asset mass efficiencies, inter-connectedness, asset erosion and casual ambiguity. This framework, however, has been criticized in that it does not account for bundles of resources, but treats resources as singularly distinct factors (Black &Boal, 1994).

2.18.2 RBV a Case for Generic Strategies

Despite the recent focus on RBV approaches to strategy, the usefulness and applicability of generic strategic typologies still remains. According to Parnell (2006) the differences between RBV and generic strategy perspectives are not as different empirically as they are conceptually due to the need to assume level of resource value consistency across firms, and assumption that is the basis in strategic group perspectives. Further, as suggested by Barney, Wright &Ketchen (2001), and Kim, Nam and Stimpert (2004), firm performance is related to both strategic factors that are constant across firms (generic strategy perspective) as well as strategic factors unique to individual firms (resource-based view). Continued improvement of generic strategy approaches alongside or integrated with RBV may provide a balanced perspective of the strategy-performance framework. In addition, and especially for small firms the RBV may not be generally applicable to them, but better suited for larger firms who can exercise better control over their resources (Ogot &Mungai, 2012).

Parnell (2006) sought to reconceptualise generic strategies within a RBV context. He proposed two dimensions: Value and Market Control. The value dimension represents the relationship between perceived worth and cost, where a product or service worth is independent of price, and may be directly linked to the needs of one or more targeted customer groups. Value can be delivered in two ways. First, and on one end of a continuum, by providing great worth of a particular group of customers. This is analogous to Porter (1980)'s differentiation strategies. The other end of the continuum seeks to find a compromise between worth and price, analogous to Porter's low cost strategies. An enterprise may therefore choose to operate anywhere along the value dimension in order to yield an overall value proposition. The Market control dimension incorporates the RBV perspective. It describes the extent to which organisational resources are used to configure the market spaces to be most favourable to the firm. Market control may be manifested by control over market access to prospective competitors (erecting entry barriers), suppliers, and customer access to competitors (switching costs). Within Parnell's typology, therefore, business strategy may emphasize and operate anywhere along the dimensions value and market control in order to get competitive advantage.

In addition, Snow &Ketchen (2014) state that a great value can be found in typologies that have ideal types (referred to as strategic groups for business typologies) that are comprehensive and mutually exclusive, where the strategic groups can be validly and reliably measured, and the typology has a clearly articulated theoretical foundation. The theoretical framework for this study is therefore grounded on generic strategy typology theory.

2.18.3Innovation theory

Innovation can be said to be the application of novel ideas, processes, or other parts of the activities of an organization that cumulates to an increment in “value” (Trott, 2005). The value is described in a way to include higher value added for the company and benefits to consumers or other firm (Kelly &Kranzberg, 2010).

Two important definitions were identified by Schumpeter. Product innovation: the introduction of a new product or adding extra value to an existing product. Process innovation: the introduction of a new process for producing or delivering goods and services (Socco,2006).

Schumpeter argued that innovation and technological change of a country originates from its entrepreneurs. He developed the term Unternehmergiest, in German which means “entrepreneur-spirit” and asserted that “the doing new things or the things that are already being done in a new way” stemmed directly from the effort of an entrepreneur. Micro business owners are basically considered as entrepreneurs. The acknowledgement that micro businesses play a vital role in innovation has led to a number of insights about the mechanism by which small businesses improve and introduce new products and services. The MSEs can have an innovative advantage as a result in different management structures (OECD, 2000). The bureaucracy in big firms is not conducive to engage in risky R & D, as decisions must survive several organizational layers of resistance where an aversion to risk results in a bias against undertaking new projects (Porter, 1986). In micro businesses, decision making process is not rigid nor follow a strict hierarchy; decision to innovate is made by a small number of people. Innovation activities also succeed in environments free from bureaucratic constraints (OECD, 2000). Several micro businesses have benefited from the exodus of researchers thwarted by the managerial constraints of larger firms.Finally, larger firms also tend to promote successful researcher to management position, while micro businesses can lace innovation activity at the center of their competitive strategy (Porter, 1986).

2.19 Empirical Review of competitive strategies and performance of micro scale enterprises.

Mwangi&Ombui (2003) studied competitive strategy and the performance of MSEs in Kenya's health sector. The survey research design was used. From 1000 MSEs, 283 were sampled, questionnaires were distributed and only 200 were retrieved. 150 copies were used for the empirical analysis in the course of the investigation. Hypotheses were tested using t-test. The findings revealed that cost leadership, product and market development, market focus and differentiation strategies which were used as a proxy for competitive strategy significantly result in higher performance level.

Vlachvei, Nolta&Demiri (2010) examined the effect of competitive strategy on growth and profitability of MSEs in Greek. The survey research design was used, out of the population of 500 MSEs; 222 were sampled, questionnaires were distributed and only 200 returned. And the analysis of the result found that competitive strategies have an effect on growth and profitability of small businesses.

Eneh (2010) investigated the relationship between competitive strategy and performance of MSEs in Southeast, Nigeria. The survey research design was used, and data were collected using questionnaire. Used data from 80 randomly selected entrepreneurs in the southeast Nigerian. Data were analyzed using the Pearson Product Moment Correlation and the findings is competitive strategies is positively related to the performance of small businesses.

Ifeakwem&Ademola (2016) investigated the impact of competitive strategies on the performance of selected small businesses in Lagos, Nigeria. Survey research design was used and the sample of 150. Estimated through regression analysis and the findings revealed that competitive strategies have an impact on the performance of MSEs

Mohammed &Mahmood (2016) studied the influence of competitive strategy on the performance of MSEs in Kano Nigeria. Self-administered questionnaires were employed to collect data from a total of 283 respondents. The study used the partial least squares structural equation modeling for data analysis and hypothesis testing. The results indicate significant and positive relationship between competitive strategy and the performance of small business. Noting competitive strategy are drivers of firms performance.

2.19.1 Cost leadership Strategy and Performance of micro scale enterprises.

Hambrick (2001) studied cost leadership and performance of small businesses, Pearson product moment correlation was applied; the result revealed a positive and significant relationship between cost leadership and performance of businesses. Noted that cost leadership firms need to control cost tightly, refrain from incurring too many expenses from innovation or marketing and cut prices.

Hooley, Lunch & Jobber (1992) studied cost leadership in a single business companies as it relate to performance. Sampled 200 manufacturing firms. Data analyzed with t- statistics. They found a strong positive relationship between cost leadership and performance.

Hitt (1988) studied differentiation being a means of cost leadership strategy in highly manufacturing technological firm. Beal and Yasai-Ardekani (2000) investigated of cost leadership strategy on performance. Adopted the descriptive statistics; took into consideration process innovation and high production targets as leading to business performance of manufacturing firm.

Dess& Davis (1984) investigated cost leadership strategy and organization sustainability. Sampled 200 firms in Australia. Data analyzed with regression. Results revealed cost leadership strategy positive and significant impact on sustainability.

2.19.2 Differentiation Strategy and Performance of micro scale enterprises.

Studies have been conducted in the area of differentiation and performance such as study by Hansen &Wernerfelt (2007) to establish the relative importance of economic and organizational factors as determinants of firm’s performance. In this study, a sample of 60 representatives of major corporations from diverse industries in the United States was selected. Descriptive statistics and correlation matrix were uses analyze data. A case study by Baykal &Delagarde (2011) on differentiation strategies in the fashion industry at Zara Company in France gathered data through interview. The data was analyzed using differential statistics.

A study by Heiko, Anders & Lars (2011) which sought to determine the relationship between differentiation strategy and business performance of European based manufacturing firms focused on 332 firms and applied confirmatory factors analysis and structural equation models through the AMOS 7.0 programme in data analysis.Farshid& Amir (2012) studied the influence of marketing mix on market share of polymer sheet manufacturing firms in Iran. The study was a survey and targeted 95 polymers sheet manufacturing firms. The one-sample T test was used to test the influence of marketing strategy on market share.

A study by Shafiwu& Mohammed (2013) sought to establish the effect of product differentiation on Profitability of the petroleum industry of Ghana. The research was a case study done outside Kenya and employed correlation research design.Yebei (2012) study on the Strategic Issues Management (SIM) practices by the 67 registered tea exporting companies in Kenya investigated the relationship between elements using Chi-square test. The key concepts used in the study are strategic issues management and business environment.

Ayim (2012) who studied service differentiation among private hospital in Nairobi sampled 30 out of a population of 64 Private Hospital. Data was analyzed using descriptive statistics. A survey by Keter (2012) on competitiveness of the Kenya tea industry using Porter's theory of competitive advantage of nations targeted the 67 registered tea exporting firms in Kenya. Her study was limited to tea export firms based in Mombasa and only descriptive statistics was used to analyze data.

Muthoka (2012) study on the response strategies to competition by Horticultural export firms in Kenya targeted the 36 major horticultural export firms in

Kenya. The key concepts used in his study are generic in nature: strategy, organizational environment and organizational competition. Dataas analyzed using descriptive statistics.Kamau (2013) who studied the effects of differentiation strategy on sales performance in supermarkets within Nakuru sampled eleven (11) supermarkets used product, physical and service differentiation variable which are generic in nature. Her survey was limited to one town in Kenya and it dealt with distributors of assorted commodities.

2.19.3 Focus Strategy and Performance of micro scale enterprises.

Ogot &Mungai (2012) studied focus strategy and performance of small business in Kenya. Survey research method was used on 240 firms, estimated with Pearson product moment correlation and findings is focus strategy improve performance.

Nganga, Onyangi&Kerre(2011) observed after investigating 80 manufacturing firms in Kenya through the survey method and data analyzed that from an entrepreneurial perspectives micro scale enterprises focus on a niche due to their ability to innovate. This study recommends that small businesses should take initiatives to adopt change in their attitude and approaches towards vital issues such as risk appetitive, saturation of existing market and d changing customer needs.

Husnah, Subroto&Aisjah (2013) examined focus strategy and small business performance. Survey research design was used and data collected through questionnaire. The research used 382 Entrepreneurs. The analysis revealed that providing outstanding customer service, providing specialty products in a niche market increases performance.

Hitt(2013) studied on micro, small and medium enterprises considering 400 firms after taking survey found that the location of an enterprise without actually focusing in a market affect performance negatively.

Bakar (2008) in his study on entrepreneurial challenges confronting micro scale enterprises of Malaysian Malays, took and empirical look on the factors responsible, and the analysis revealed that existing micro enterprises owners had strong motivations and better marketing approaches in their chosen market as compared to the failed enterprises.

2.20 Summary of Literature Review

Based on the literatures, studies have been carried out on competitive strategies and performance of MSEs. Notably, most of the studies on competitive strategies and performance of MSEs have been done outside Delta State. Additionally, these studies have concepts/theories, research design, and data analysis methods such as confirmatory factor analysis, one-sample T- test, Chi-square , t – test, regression, partial least squares structural equation modeling among others.

Again, this study involved longitudinal studies of MSEs who have purposely chosen to adopt the strategies contained in the porter typology, against those who have not, allowing cause and effect element

The study employed three theories: The resource based theory, Generic Strategy of Porter and Innovation theory that underpin the research. This study provides empirical evidence on the extent to which competitive strategies influence performance of MSEs Manufacturers of FMCG in Delta State. Also the study attempt to establish other underlying variables that have bearing on performance. This study is done on 354 MSEs, survey research design was employed. The researchused number of employee, growth in assets, growth in sales and profit as indicators for performance.Data was collected through structured questionnaire. This study was done in Delta State and the regression analysis was employed to determine the effect of competitive strategy on performance of MSEs.

CHAPTER THREE

RESEARCH METHOD

This chapter deals with the research method and procedures used for the study.under the following headings.

3.1 Research design

This study adopted the cross sectional research designwith the use of survey method.This was considered appropriate because it helps to collect data, record, analyze and interpret or describe information as they exist, (Osuala, 2001;Yomere&Agbanifoh,1999).Olannye, (2006) also asserted that survey research permits the description of conditions as they exist in their natural setting.

3.2 Population

The population of this study is made up of registered micro scale enterprisesManufacturers of Fast Moving Consumer Goods (FMCG)in Delta Statetotaling 3,044according to the data baseline collaboration survey of Delta State Micro, Small and Medium Enterprises (DEMSMEs) held by Delta State Micro, Small and Medium Enterprises Development Agency (DEMSMDA) in 2016.

3.3 Sample and Sampling Techniques

The sample consists of 354 MSEs Manufacturers of FMCG selectedby simple random sampling technique of every 10th numberfrom 3,044MSEs Manufacturers of FMCG in Delta State. This sampling technique was considered appropriate because each subject in the population has equal chance of inclusion in the sample as it provides an unbiased and better estimate of the parameters if the population is homogenous(Sudman,2015).The sample size was determined using the Taro Yamane's technique for sample selection. With A 95% confidence level and P = .5 are assumed

$$n = \frac{N}{1+N\,(e\,)^2}$$

Where:

n = sample size required

1 = constant

N = 3,044

E = expected/allowable error (%)

Substitute numbers in formula:

$$n = \frac{3{,}044}{1+3{,}044\ (0.05)^2} = 353.5$$

n = 354 (Rounded)

After calculating the sample size by substituting the number into the Yamane's formula, the number of sample was 353.5 MSEs, since am dealing with human beings, it is more realistic to approximate my sample size to 354.

3.4 Data Collection Method

The primary data was collected using a structured questionnaire that was administered tomicro scale enterprises manufacturers of fast moving consumer goods in Delta State .The questionnaire was adapted from Daniel and Okibo, 2015. The questionnaire hasthree sections: Section one: the demographic perspectives, Section two: Competitive Strategies and Section three: Performance Measures. It also includesopen ended questions, closed ended questions and likert scales. Open ended question does not provide respondents with a choice of answer. Instead, the respondent is free to answer as he/she chooses. The open ended questions are meant to avoid limiting the respondents in answering the question. A close ended question provides the respondents with several answers to choose from.

3.5Validity of the Research Instrument

Thevalidity of the instrument was ascertained by the researcher's Supervisor and five(5) Lecturers in the Department of Business Administration, Delta State University, Abraka. This ensured that the questions asked were adequate enough to elicit the intended responses from respondents that enhanced drawing of meaningful deductions from the study.Based on constructive criticism and suggestions made the questionnaire was handed back to the supervisor for final approval.

3.6Reliability of the Research Instrument

The reliability of the instrument wasestablished using the Crobanch alpha coefficient on thirty (30) Micro scale enterprises randomly selected from Benin City, Edo State. It is specified that an instrument which scores around 0.60is considered to have an average reliability standard; while a score of 0.70 and above indicates that the instrument possesses a high reliability standard (Sudman, 2016) The reliability coefficient falls within the threshold of 0.81, yielding an alpha coefficient of 0.712 for cost leadership strategy, 0.798 for differentiation strategy, 0.734 for focus strategy and 0.739 for performance.Table 3.1 indicates the results obtained.

Table 3.1 Reliability Coefficients

Item	Obs	Sign	item-test correlation	item-rest correlation	average interitem covariance	alpha
cls	30	+	0.7804	0.5498	.3312709	0.7118
dfs	30	+	0.6839	0.4125	.4326459	0.7982
fcs	30	+	0.7449	0.5159	.3715533	0.7342
perf	30	+	0.7196	0.5186	.4068265	0.7386
Test scale					.3855741	0.8095

Source: Primary Data, 2018

3.7 Method of DataAnalysis

The descriptive statistics of frequency and percentages was used to provide demographic perspective of the sample. This was be followed by mean for number of responses andtest of stated hypotheses with multiple regression model at p-value of 0.05. The data of this study was analyzed by computer through packaged Software STATA 13.0

The use of various dimensions of competitive strategy such as cost leadership strategy, differentiation strategy and focus strategy was included to explain the relationship by carrying out multiple regression analysis, relationship between performance and the various competitive strategies was estimated as:

$$PERF = \beta_0 + \beta_1 CLS + \beta_2 DFS + \beta_3 FCS + \epsilon$$

Where

PERF = Performance

CLS = Cost leadership strategy

DFS = Differentiation strategy

FCS = Focus strategy

ϵ = Error term

β_0, β_1, β_2, β_3 are coefficients

3.8 Operationalization of Study Variables

This study has three independent variables cost leadership, differentiation strategy and focus strategy, this variables were measured using a five point linkert scale (5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly Disagree) while the dependent variable was measured using interval scale.

The various dimensions of competitive strategy was covered for the independent variable, cost leadership strategy comprised of, waste and defective/B – grade reduction, high production targets, investing in modern technology and machine or process innovation (Tapinos, Dyson &Meadow, 2005). Differentiation strategy included giving credits and discount, operating at odd periods e.g. Sunday, holiday and late / early hours, fast and timely delivery with many distribution channels (Yamin, Gunasekaran&Mavondo, 2006) and Focus strategy constitute targeting a specific market, providing specialty products and providing outstanding customer services (Lukae, 2005).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS.

4.1 Data Presentation and Analysis

TABLE 4.1: REPRESENTATIVE OF THE DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS AND THEIR FIRMS

A sample of 354 micro scale enterprises manufacturers of FMCG was drawn from a target population of 3,044 MSEs in Delta State. Questionnaires were distributed to a sample of 354 MSEs, and 300 completed, forming a response rate of 85%. The presentation of data collected and analysis conducted was done by systematically relating it to the format of the questionnaire used to collect the data.

Table 4.1.1 :Gender

Item	Frequency	Percent
Male	190	63.3
Female	110	36.7
Total	300	100%

Source: Primary Data, 2018

Micro scale enterprises with employee size of less than 10 form sample of the study. From the total respondents, 190(63.3) were male and 110(36.7 percent) were female. The micro scale manufacturers of FMCG in the food sector in Delta State is male dominated, it is expected that most of the respondents would be male.

Table 4.1.2:Age Distribution

Item	Frequency	Percent
15-19	0	0
20-24	30	10
25-30	30	10
31-35	30	10
36-40	50	16.7
41-45	150	50
Over 45	10	3.3
Total	300	100%

Source: Primary Data, 2018

The sample includes respondents from different age groups; with the youngest aged 20-24 (10 percent) and the oldest over 45 years (3.3 percent). Majority of the owner-manager (50 percent) were aged 41-45 years .At this age (41-45), workers are very productive and are financially stable hence they start planning for investment and retirement. 16.7 percent of the respondents aged 36-40; 10 percent aged 35-40; 10 percent aged 25-30; while 10 percent are aged 31-35 years.

Table4.1.3:Educational Qualification

Item	Frequency	Percent
WAEC/O' LEVEL	20	10
BSE/HND	140	46.7
MSC/MBA	80	26.7
PHD	50	16.7
Total	300	100%

Source: Primary Data, 2018

Academic qualification of the respondents varied from secondary to university with most of them having gone above secondary. It is noteworthy that only tiny fraction of 10% have secondary education. The majority of 46.7% have degree. The percentage with least is O' LEVEL is not surprising due to the nature of business sampled. The enterprises value added activities of either manufacturing or food processing typically leverage on skills acquired after secondary education. This implies that the literacy level of owner mangers were satisfactory. This is contrary toHusnah, Subroto and Aisjah (2013) who noted that MSEs had low literacy level; but concurred oncompetition/ shrinking markets as challenges facing them.

Table 4.1.4:Training in Business management

Item	Frequency	Percent
YES	210	70
NO	90	30
Total	300	100%

Source: Primary Data, 2018

70 percent of the respondents had training in business management while 30 percent had none. This implies that the respondents have potential for growth in business.

Table 4.1.5:Designation

Item	Frequency	Percent
Manager	70	23.3
Owner	30	10
Owner-Manager	200	66.7
Total	300	100%

Source: Primary Data, 2018

66.7 percent of the respondents were affiliated to the business as owners and managers at the same time while 10 percent and 23.3 percent of them were affiliated to the business as owner only and business manager only respectively. From in-depth interview with respondents, the challenge facing MSEs managers is the heavy load they carry. They do administrative work, operations, accounting, sales and marketing.

The managers have less trust on employees. They fear that these workers would steal from the businesses if given much freedom/responsibilities. This implies that the respondents have no time to analyze business environment and set competitive strategies hence their future remains bleak.

Table 4.1.6:Business Registration

Item	Frequency	Percent
YES	300	100
NO	0	0
Total	300	100%

Source: Primary Data, 2018

The sample included registered micro scale enterprises. This suggests that the owner-manager can exploit marketing opportunities available in the government and other private sectors. Respondents also qualify for financial services offered by micro financial institutions.

Table 4.1.7:Age of Business

Item	Frequency	Percent
0 to 5 years	150	50
6 to 10 years	100	33.5
Over 10 years	50	16.7
Total	300	100%

Source: Primary Data, 2018

50 percent of the MSEs aged 0-5 years; 33.3 percent aged 6-10 years while only 16.7 percent were over 10 years this implies that survival rate of these micro enterprise is questionable and was in agreement with Eneh (2010) who asserted that a significant percent of MSEs are out of business by their tenth year.

Table 4.1.8:Types of Ownership

Item	Frequency	Percent
Sole proprietorship	230	76.7
Partnership	70	23.3
Total	300	100%

Source: Primary Data, 2018

76.7 percent of the respondents said their business was owned by sole proprietor while only 23.3 sampled MSEs were owned by partners. This is consistent with the analysis done by Garoma (2012) and Nwangi (2011) who found that the majority of the MSEs were sole proprietors. It can be deduced that the sampled enterprise could be adversely affected because of their ownership structure.

Table 4.1.9: Product Portfolio

Item	Frequency	Percent
Cakes and Bakery	120	40
Table Water	140	46.7
Ready Meal	40	13.3
Total	300	100

Source: Primary Data, 2018

The business activities were broken into sectors revealing 10% for beverages and juices,40% for cakes and bakery 36.7% for table water and 13.3% for ready meals, is note-worthy that all sampled business are members of a strategic group.

Table 4.1.10: The Extent to which Performance is influenced by competitive strategies

Statement	Frequency	Percent
To no extent	10	3.3
To low extent	40	13.3
To moderate extent	90	30
To great extent	160	53.3
Total	300	100%

Source: Primary Data, 2018

According to the results in table 4.1.10, 53.3 percent indicated that their enterprise performance had grown to great extent due to competitive strategies, whereas 30 percent to a moderate extent and 13.3 to low extent while 3.3 percent indicated that their business performance had not improved at all. This indicates that competitive strategies influence performance to a great extent. This agrees with Eneh (2010) that argue about 65percent of micro scale enterprises succeeds because of competitive strategies.

Descriptive Statistics

4.2 Analysis of Responses

```
. *(4 variables, 300 observations pasted into data editor)

. tabstat cls dfs fcs perf, statistics( mean median max min count )

stats |       cls       dfs       fcs      perf
---------+----------------------------------------
mean |  3.696667  3.663333  3.763333  3.843333
     p50 |         4         4         4         4
max |         5         5         5         5
min |         1         1         1         1
       N |       300       300       300       300
--------------------------------------------------

. sktest cls dfs fcs perf

                    Skewness/Kurtosis tests for Normality
                                                          ------- joint ------
    Variable |    Obs   Pr(Skewness)   Pr(Kurtosis)  adj chi2(2)    Prob>chi2
-------------+---------------------------------------------------------------
cls |     300      0.0000         0.5540        26.55         0.0000
dfs |     300      0.0000         0.3814        19.61         0.0001
fcs |     300      0.0000         0.0090        41.11         0.0000
perf |     300      0.0000         0.0010        44.96         0.0000
```

Source: Primary Data, 2018

Table 4.2 shows the responses of MSEs manufacturers of fast moving consumer goods in Delta State.The mean of cost leadership 3.697, differentiation 3.663 and focus 3.763 which indicate that competitive strategies are clustered and reliable for policy formulation and decision making among MSEs in Delta State. There is also kurtosis variable of competitive strategies change to performance overtime. The Skewness showing how influential the competitive strategies to performance.

4.3Test of Hypotheses

```
           |      clsdfs      fcs     perf
-------------+------------------------------------
cls |   1.0000
dfs |   0.3257   1.0000
fcs |   0.5091   0.2761   1.0000
perf |   0.4080   0.3870   0.3900   1.0000


. regressperfclsdfs fcs

      Source |       SS       df       MS              Number of obs =     300
-------------+------------------------------           F(  3,   296) =   36.50
       Model |  62.5553377     3  20.8517792           Prob> F      =  0.0000
    Residual |  169.081329   296  .571220706           R-squared     =  0.2701
-------------+------------------------------           Adj R-squared =  0.2627
       Total |  231.636667   299  .774704571           Root MSE      =  .75579

------------------------------------------------------------------------------
perf |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
cls |   .1765996    .047925     3.68   0.000     .0822826    .2709166
dfs |   .2183428   .0447541     4.88   0.000     .1302662    .3064194
fcs |   .1805564   .0506487     3.56   0.000     .0808793    .2802336
       _cons |   1.711147    .209473     8.17   0.000     1.298902    2.123392
------------------------------------------------------------------------------
```

Source: Primary data, 2018

The result for the relationship between competitive strategies and performance of MSEs is presented in table 4.3 above. R squared is 0.2701 suggesting that 27.01 % change in the dependent variable has been explained by the independent variables. Furthermore the f-value 36.50 with p-value of 0.0000 < 0.05 is an indication that there is significant relationship between competitive strategies and performance. This outcome leads to the rejection of the null hypotheses and acceptance of the alternative hypotheses that the competitive strategies have a significant positive effect on performance of MSEs manufacturers of fast moving consumer goods in food sector in Delta State. From the model, three of the competitive strategies dimensions (cost leadership, differentiation and focus strategies) have positive elasticity, which ranges from 0.177(17%) to 0.218(21%). This implies that on application they have positive effect on performance.

4.4 Discussion of Findings

The aim of this study was to examine the effect of competitive strategies on performance of MSEs manufacturers of fast moving consumer goods in Delta State. From the analysis the study revealed competitive strategies influence performance of MSEs in Delta State.

In addition the study found positive and significant relationship between cost leadership and performance of MSEs an indication that the use of cost leadership strategy influences performance of MSEs. This finding agrees with Hambrick (2001) that studied cost leadership and performance of micro scale enterprises, and found a positive and significant relationship between cost leadership and performance of micro scale enterprises. Noted that cost leadership firms need to control cost tightly, refrain from incurring too many expenses from innovation or marketing and cut prices,Hooley, Lunch & Jobber (1992) who studied cost leadership in a single business enterprises as it relate to performance and found a strong positive relationship between cost leadership and performance, Hitt (1988) that examined differentiation being a means of cost leadership strategy in highly manufacturing technological firm, Beal &Yasai-Ardekani (2000) that investigated cost leadership strategy on performance and Dess& Davis (1984) who investigated cost leadership strategy and organization sustainability and results revealed cost leadership strategy have positive and significant impact on sustainability.

The study also found positive and significant relationship between differentiation and performance. This finding is in line with Hansen &Wernerfelt (2007) that establish the relative importance of economic and organizational factors as determinants of firm's performance, Baykal &Delagarde (2011) who investigated on differentiation strategies in the fashion industry, Heiko, Anders & Lars (2011) which sought to determine the relationship between differentiation strategy and business performance, Farshid& Amir (2012) that studied the influence of marketing mix on market share of polymer sheet manufacturing firms in Iran, Shafiwu& Mohammed (2013) who sought to establish the effect of product differentiation on

Profitability of the petroleum industry of Ghana, Yebei (2012) that studiedon the Strategic Issues Management (SIM) practices by the 67 registered tea exporting companies in Kenya investigated the relationship between elements. The key concepts used in the study are strategic issues management and business environment, Ayim (2012) that examined service differentiation among private hospital in Nairobi sampled 30 out of a population of 64 Private Hospital. Data was analyzed using descriptive statistics, Keter (2012) who examined on competitiveness of the Kenya tea industry using Porter's theory of competitive advantage of nations targeted the 67 registered tea exporting firms in Kenya, Muthoka (2012) who studied on the response strategies to competition by Horticultural export firms in Kenya targeted the 36 major horticultural export firms in Kenya and Kamau (2013) the effects of differentiation strategy on sales performance in supermarkets within Nakuru, sampled eleven (11) supermarkets used product, physical and service differentiation variable which are generic in nature.

Further the study revealed positive and significant relationship between focus strategy and performance.This finding agree with Ogot &Mungai (2012) whostudied focus strategy and performance of micro scale enterprises in Kenya. It is also in line with Nganga, Onyangi&Kerre (2011) who observed after investigating 80 manufacturing firms in Kenya through the survey method and data analyzed that from an entrepreneurial perspectives micro scale enterprises focus on a niche due to their ability to innovate,Husnah, Subroto&Aisjah (2013) who examined focus strategy and micro scale performance which revealed that providing outstanding customer service, providing specialty products in a niche market increases performance, Hitt(2013) that studied on micro, small and medium enterprises considering 400 firms after taking survey found that the location of an enterprise without actually focusing in a market affect performance negatively, Bakar (2008) that studied on entrepreneurial challenges confronting micro scale enterprises of Malaysian Malays, took an empirical look on the factors responsible, and the analysis revealed that existing micro enterprises owners had strong motivations and better marketing approaches in their chosen market as compared to the failed enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter considers the following subheadings: Summary, Conclusion, Recommendation and contributions to knowledge.

5.1 Summary

This study sought to examine competitive strategies and their effect on performance of MSEs in Delta State. It employed three competitive strategies of cost leadership, differentiation and focus. The data was analyzed for 300 respondents out of a target population of 3,044 which constitute 85% response rate which was deemed adequate for the study. The dependent variable was performance while the independent variables included cost leadership, differentiation and focus strategies.

In order to achieve the objective of this study, research hypotheses were formulated in line with the specific objectives. In this study, Porter's generic strategies theory was adopted and viewed through the lens of resource based view theory and innovation theory. The cross sectional survey design was adopted and primary data were obtained through the use of questionnaire distributed to the respondents. A total of three hundred (300) questionnaires were returned. In line with the specific objectives and the formulated hypotheses in the study, models were specified to guide the analytical procedure.The focus of this study was to determine by means of inferential statistics, the relationship between measures of competitive strategies such as cost leadership strategies, differentiation strategies and focus strategies on performance of MSEs manufacturers of fast moving consumer goods (FMCG) in food sector in Delta State. The formulated hypotheses were tested using the multiple regression models and on the whole, it was found that the measures of competitive strategies havesignificant and positive effect on the performance of micro scale enterprises manufacturers of fast moving consumer goods in Delta State.

5.2 Conclusion

Micro scale enterprises manufacturers of fast moving consumer goods in food sector in Delta State have failed despite government effort for their growth and survival (Eneh, 2010), and because of the porous market environment of fast moving consumer goods in food sector; larger enterprises are delving into the same market as micro scale enterprises in order to expand the sector which now becomes a problem to micro scale enterprises, for such reason the micro scale enterprises are subsumed as well as its contributions and to bring to the forefront the micro scale activities comes this research.

Consequently, competitive strategies have had effect on performance of MSEs in other states outside Delta State and even internationally but there has never been an empirical confirmation in Delta State as to whether competitive strategies affect performance of MSEs. The studies that have confirmed these relationship are: (Vlachei, Nolta&Demiri, 2010) who established that competitive strategies are positively associated with performance in Greek. Again Nwangi&Ombui (2003) who investigated the impact of competitive strategies on performance in Kenya health sector and there is also a positive relationship between competitive strategies and performance. In Nigeria South east region Eneh (2010) that studied the impact of competitive strategies on performance of MSEs and it was found competitive strategies are positively related to performance. Ifeakwem&Ademola (2016) that studied the impact of competitive strategies on performance of selected micro scale enterprises in Lagos and the findings revealed competitive strategies have an impact on performance of MSEs. Mohammed & Manhood (2016) that examined the influence of competitive strategies on performance of MSEs in Kano, the result indicated significant and positive relationship between competitive strategies and performance of MSEs.

Based on the study findings, the study concludes that competitive strategies influence performance of MSEs manufacturers of fast moving consumer goods in food sector in Delta State. In addition the study also concludes that cost leadership strategy affect performance of MSEs. This study concludes that differentiation strategy influence performance. Again thatfocus strategies increase performance of MSEs in Delta State thus they are worthy of being adopted as strategies by micro scale enterprises for growth and survival.

5.3 Recommendations

The following recommendations were made from the results:

1. This study recommends that since competitive strategies have been found to have effect on performance of micro scale enterprises manufacturers of FMCG in food sector in Delta State, micro scale enterprises should formulate and implement competitive strategies.

2. This study also recommends that there should be continual innovation of products and services as it will ensure continued existence of micro scale enterprises in the market environment.

3. Micro scale enterprises should not underestimate the power of customer relation as it has the ability to enlarge a firm's market. They should value and respect customers' opinion, practice the art of giving gifts to loyal customers and take feedback very seriously.

4. There is need for micro scale enterprises to exploit market opportunities available through ICT (E-Marketing)

5. Inter firm cooperation or strategic alliance with mentor organization should be given a chance when there is no more option of sustainability by micro scale enterprises

6. This study recommends that since resources of micro scale enterprises have limited resources, instead of spending so much on advert, word of mouth promotion may just suffice. However, the word of mouth promotion will not work efficiently unless customers perceive the firm's product and services as having high quality.

7. Micro Scale Enterprises should emphasized more on rendering quality products and services.

8. Competitive strategies selection and implementation requires human capital. The human capital investments are vital since they form the basis for determining competitive strategies to achieve optimal performance.

5.4 Suggestion for further Studies

This study focused on the impact of competitive strategies on performance of MSEs Manufacturers of Fast Moving Consumer Goods (FMCG) in food sector in Delta State; research can also be carried out on other sectors of micro scale in relation to strategies implemented taking into consideration the state of the business(new, growth and seasonality).

5.5 Contribution to Knowledge

This study makes the following contributions to knowledge:

1. This study has established that cost leadership strategy increases performance of micro scale enterprises in Delta State.

2. This study has also established that differentiation strategy boosts performance of micro scale enterprises in Delta State.

3. This study hasdemonstrated that focus strategy increases performance of micro scale enterprises in Delta State.

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APPENDIX A

Questionnaire: Competitive Strategy and the performance of MSEs in Delta State
Researcher: Douglas Chukunalu
M.ScStudent ofDepartment of Business Administration, Delta State University Abraka.

A study is being conducted on influence of competitive strategies on the performance of MSEs in Delta State. The findings of the study will be useful in understanding their immediate external environment, which mainly constitutes the customer and the competitor. This in turn is likely to generate a learning process and guide that can induce some decision making to enhance firm's competitiveness, performance, growth and profitability.

You are kindly requested to participate by responding to the question in the questionnaire. Whatever information you provide will be strictly confidential and only be used by the researcher for study purposes. Your participation is voluntary and you are free to decline or opt out in the middle should you become uncomfortable. This study has been approved by the relevant authorities. Please respond as honestly as possible for us to get a true picture of the situation. Thank you.

Section one: Demographics and Social details of the Owner/Manager

Instructions: Please tick (√) or indicate with a number 1 to 5 where applicable

1) Gender
   - i Male ☐
   - ii Female ☐

2) Age
   - i. 15-19 ☐
   - ii. 20-24 ☐
   - iii. 25-30 ☐
   - iv. 31-35 ☐
   - v. 36-40 ☐
   - vi. 41-45 ☐
   - vii. Over 45 ☐

3) Level of education
   - i. WAEC/O'LEVEL ☐
   - ii. BSC/HND ☐
   - iii. M.Sc/MBA ☐
   - iv. PHD ☐

vii Others ☐

4) Have you ever had any training on business management? i. Yes ii. ☐ ☐

5) What is your position in the Enterprise?

i Manager ☐

ii Owner ☐

iii Owner-manager ☐

iv Others(Specify) …………………………………

6) Is your business registered? i. Yes ☐ ii. No ☐

7) How old is your company?

i. 0 to 5 years ☐

ii. 6 to 10 years ☐

iii. Over 10 years ☐

8) Type of business i. Sole proprietorship ii. Partnership ☐ ☐

9) Number of towns covered by the enterprise in their marketing

Current………………………. At the start of business…………………….

10) Product portfolio (State the products you make and offer or service you offer)

……………………………………………………………………………

i Cakes and bakery ☐

ii Table water ☐

iii Ready meals ☐

Section two: Please indicate the extent to which you use the following competitive strategies to compete.

11)

Cost leadership Strategies	**Strongly disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly agree (5)**
1) High production targets					
2.) Waste & Defective/B-grade reduction.					
3) Machine and Process innovation.					
4.) Investing in modern technology(e.g. high speed-machine, computers etc.)					
Differentiation Strategies					
1) Giving credits & discounts					
2) Operating at odd periods (e.g. Sundays, holidays, late/early hours)					
3) Fast/timely delivery with Many distribution Channels					
4) Good/unique packagingand designs					
Focus Strategies					
1) Targeting a specific market.					
2) Selling quality/durable products					
3) Providing specialty Products					
4) Providing outstanding Customer service					

Section three: Performance

12) To what extent has the performance of your business been affected by competition?

i To no extent ☐

ii To a low extent ☐

iii To a moderate extent ☐

iv To a great extent ☐

13) Please indicate the extent youagree that business performance has grown in the following areas due to competitive strategies.

Statement	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
1)Profitability ratio					
2)Number of Employees					
3)Market					
4) Assets					

APPENDIX B

```
  ___  ____  ____  ____  ____ (R)
 /__    /   ____/   /   ____/
___/   /   /___/   /   /___/   13.0   Copyright 1985-2013 StataCorp LP
  Statistics/Data Analysis            StataCorp
                                      4905 Lakeway Drive
     MP - Parallel Edition            College Station, Texas 77845 USA
                                      800-STATA-PC        http://www.stata.com
                                      979-696-4600        stata@stata.com
                                      979-696-4601 (fax)

3-user 8-core Stata network perpetual license:
       Serial number:  501306208483


Notes:
      1.  (/v# option or -set maxvar-) 5000 maximum variables

Checking for updates...
(contacting http://www.stata.com)
bad serial number
unable to check for update; verify Internet settings are correct.

. *(4 variables, 300 observations pasted into data editor)

. tabstatclsdfs fcs perf, statistics( mean median max min count )

stats |       clsdfs       fcs      perf
---------+----------------------------------------
mean |  3.696667  3.663333  3.763333  3.843333
     p50 |         4         4         4         4
max |         5         5         5         5
min |         1         1         1         1
       N |       300       300       300       300
--------------------------------------------------

. sktestclsdfs fcs perf

Skewness/Kurtosis tests for Normality
                                                                  ------- joint ------
    Variable |    ObsPr(Skewness)   Pr(Kurtosis)  adj chi2(2)    Prob>chi2
-------------+--------------------------------------------------------------
cls |     300       0.0000         0.5540        26.55         0.0000
dfs |     300       0.0000         0.3814        19.61         0.0001
fcs |     300       0.0000         0.0090        41.11         0.0000
perf |    300       0.0000         0.0010        44.96         0.0000
```

```
. correlateclsdfs fcs perf
(obs=300)

             |      clsdfs      fcs     perf
-------------+-----------------------------------
cls |   1.0000
dfs |   0.3257   1.0000
fcs |   0.5091   0.2761   1.0000
perf |   0.4080   0.3870   0.3900   1.0000


. regressperfclsdfs fcs

      Source |       SS       df       MS              Number of obs =     300
-------------+------------------------------           F(  3,   296) =   36.50
       Model |  62.5553377     3  20.8517792           Prob> F      =  0.0000
    Residual |  169.081329   296  .571220706           R-squared     =  0.2701
-------------+------------------------------           Adj R-squared =  0.2627
       Total |  231.636667   299  .774704571           Root MSE      =  .75579

------------------------------------------------------------------------------
perf |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
cls |   .1765996    .047925     3.68   0.000     .0822826    .2709166
dfs |   .2183428   .0447541     4.88   0.000     .1302662    .3064194
fcs |   .1805564   .0506487     3.56   0.000     .0808793    .2802336
       _cons |   1.711147    .209473     8.17   0.000     1.298902    2.123392
------------------------------------------------------------------------------

. estathettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of perf

chi2(1)      =    27.44
Prob>chi2  =   0.0000

. estatovtest

Ramsey RESET test using powers of the fitted values of perf
       Ho:  model has no omitted variables
F(3, 293) =      2.77
Prob> F =      0.0418

. estatvif

    Variable |       VIF       1/VIF
-------------+----------------------
cls |      1.42    0.703747
fcs |      1.38    0.727222
dfs |      1.14    0.877525
-------------+----------------------
```

```
. alphaclsdfs  fcs perf, detail item

Test scale = mean(unstandardized items)

average
item-test     item-rest       interitem
Item         |  Obs  Sign   correlation   correlation     covariance      alpha
-------------+-----------------------------------------------------------------
cls          |   30    +       0.7804        0.5498        .3312709      0.7118
dfs          |   30    +       0.6839        0.4125        .4326459      0.7982
fcs          |   30    +       0.7449        0.5159        .3715533      0.7342
perf         |   30    +       0.7196        0.5186        .4068265      0.7386
-------------+-----------------------------------------------------------------
Test scale   |                                             .3855741      0.8095
-------------------------------------------------------------------------------

Interitemcovariances (obs=300 in all pairs)

clsdfs     fcs    perf
cls  1.1819
dfs  0.3691  1.0869
fcs  0.5601  0.2913  1.0241
perf  0.3904  0.3551  0.3474  0.7747
```