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STRATEGIC THINKING AND COMPETITIVE ADVANTAGE OF SMALL AND MEDIUM SCALE ENTERPRISES (SME's) IN SOUTHEAST NIGERIA

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ABSTRACT

The broad objective of the study was to ascertain the nature of relationship existing between Strategic Thinking and the Competitive Advantage of SMEs in South-East Nigeria. The study deployed survey research design, with a population of three hundred and eleven (311) selected SMEs in Anambra and Abia State of southeast Nigeria, and a sample size of 172 arrived at using Krejcie and Morgan (1970) formula. Pearson's Product Moment Correlation Coefficient was used to analyze the data, and hypothesis was tested at 5% level of significance. The findings revealed that a statistically significant relationship exists between Innovative Thinking and Value Creation of SMEs in South-East Nigeria ($r = .972$, $p\text{-value} < 0.05$). Sequel to this, it was concluded that the continuous existence of firms in a changing business environment require more than having resources of whatever kind; it transcends owning finance, equipment or even personnel. It was recommended among other things that owners of SMEs need to give other people, like family members and employees the opportunity to contribute to the innovative processes of their organization, as it will help them to create more value for their customers.

Keywords: Strategic Thinking, Competitive Advantage, SME's, Innovative Thinking and Value Creation.

INTRODUCTION

The environment of business is very dynamic, with changes occurring often. Organizations that remain relevant over a long period are those with strategic foresight to be able to predict the future with some element of certainty, so as to take proactive steps. Changes in business activities are capable of disrupting the operations in businesses, but change they say is inevitable for all businesses. Al-Qatamin and Esam (2018) aver that all business entities encounter dynamic and sometimes complex situations occasioned by huge discontinuities that take place in a typical business environment. In such a constantly changing environment, organizations require a strategic look at issues. Capturing this, Al-Qatamin and Esam (2018) opine that the changes in the market call for an innovative thinking technique to be able to successfully navigate through the market hurdles. This brings to the fore the concept of strategic thinking.

The hallmark of effective managers and organizations is the ability to think strategically so as to prepare for events before they happen. Karakaya, Yilmaz and Demiral (2016) posit that in an unrivalled competitive space, businesses need their employees and leaders to be strategists. This also gives credence to the need for strategic thinking, which is the ability of managers, leaders and employees alike to think logically and strategically. Fairholm and Card (2009) state that strategic thinking is a logical development of thoughts. It is thinking that is lateral, critical, and creative (Alsaaty, 2007). It involves developing an entire set of critical cognitive and analytical skills (Al-Qatamin & Esam, 2018). This is required to get ahead of competitions and sustain the existence of the firm. This is because, previous studies have found that organizations that deploy the intricacies of strategic thinking in their operations outperform those that do not. Firms that have adopted strategic thinking approach are very successful in their businesses (Amiri, Aghdaie, Seidi & Riasi, 2012).

The environment where Small and Medium Scale Enterprises (SMEs) operate in Nigeria is very dynamic and competitive. This is even more so in South-East Nigeria where there are thousands of SMEs scattered across the states as exemplified by the numerous major markets in the zone, such as Onitsha main market, Nkwo Nnewi, all in Anambra State. There is also Ariaria International Market in Aba, Ogbete Market in Enugu and a host of others. These markets are made up of thousands of SMEs, both registered and unregistered. Just as it is in major businesses, so also it is with SMEs, those that sustain performance are those that can withstand competition by creating a competitive edge over others.

SMEs in Southeast Nigeria are often one-man business, with some having just a salesgirl or boy or secretary with other family members assisting in one way or the other. Therefore, the responsibility of making tough decisions falls solely on the owner most times. Thus, the owners of SMEs most often are overwhelmed by the number of tasks they have to carry out and also decisions making for the business. Strategic decisions and planning are those decisions that are long time inclined and focus on responding to changes in the business environment. The problem here is that of not allowing other family members or employees to help out in making suggestions about things that could help the firm to navigate through turbulent periods. Also, some owners of SMEs do not think strategically; they appear not to envision what could happen in the future, they seem comfortable in the daily dealings, without a strategic thought about the future. This could be responsible for the demise of many SMEs in the past, a trend that might continue if not handled. Therefore, this study was necessitated

to look into the role strategic thinking plays in carving out a niche for SMEs and giving them a competitive edge above others. Specifically, the study seeks to:

- a) Examine the nature of the relationship existing between Innovative Thinking and Value Creation of SMEs in South-East, Nigeria.

REVIEW OF RELATED LITERATURE

Strategic Thinking

Strategic thinking as it relates to firms, entails taking part in deep logical thought for the future of an organization. It is engaging in strategic planning, alignment and realignment with the future as the focal point. Engaging in strategic thinking means going beyond the daily requirements of an organization; it is futuristic in nature. It requires managers to think beyond routine procedures in order to concentrate on intended long-term strategic business purposes (Salamzadeh, et al., 2015). This was also succinctly captured by Al-Qatamin and Esam (2018) who explicate that it is a process that requires managerial thought beyond day to day operational thinking of a firm. They went further to posit that it equips managers with the skill to develop a channelled vision for the firm, thereby allowing them to think with strategic intent (Al-Qatamin & Esam, 2018).

Strategic thinking makes managers to be in tune with what is required to galvanize the whole processes in the firm for better achievement going forward. It is a process through which businesses learn how to define perspective by applying teamwork, critical thinking and continuous improvement (Kiaei, Hatam, Moraveji, Moradi, Ahmadzadeh & Ghanavati, 2016). It is a process that embeds the manner in which people think and rethink, evaluate, view, and conduct the future for themselves and others (Al-Qatamin & Esam, 2018). It contributes to broad, general, overarching concepts that focus the future direction of an organization based on anticipated environmental conditions (Goldman, 2016).

The end goal of strategic thinking is to position the organization for a more sustainable future for an organization, it broadens the horizon of a firm, changes its perspective about situations in the environment and makes for better performance through enhance profitability. Nuntamanop, Kauranen and Igel (2013) opine that it is important for both strategy development and strategic management; and that it contributes to corporate outputs and profitability. Similarly, Yashar, Vahideh and Taghi, (2018) highlight that it is seen as the generation and application of distinctive business ideas and opportunities intended to create a competitive advantage for a business. Managers that can successfully deploy the art of strategic thinking skills usually have the ability to formulate a focused strategic vision which is necessary for improved organizational performance (Al-Qatamin & Esam, 2018).

Innovative Thinking

Innovation has to do with bringing new ideas about how to do old things better or inventing an entirely new approach or process of doing new or old things. Thinking strategically enables one to think innovatively in search of a better way to tackle changes and threats in the business environment. Haycock, Cheadle and Bluestone (2012) aver that strategic thinking is a creative and innovative process and pertains to the designed perspective by the organization leaders (Meisam, Mojtaba, Hamid & Sajadi, 2017).

Thinking strategically makes one think intuitively and innovatively for creative ways to solve existing or future problems. Meisam, Mojtaba, Hamid and Sajadi (2017) state that strategic thinking is an attempt for innovation and to visualize a new and highly different future for the

organization. It enables members of a firm and encourages people to look for creative solutions for creating a prosperous firm (SeyedJavadin, 2010). It transcends time, space, and resources to offer innovative solutions to complicated and perplexing challenges organizations battles in a typical business environment (Hamel & Prahalad, 2000).

Competitive Advantage

Competitive advantage as it relates to organizations is the edge a firm has over competing firms. It is that which stands one firm above the other. That which will make a customer patronize one firm instead of others. Christensen (2001) indicates that a firm has a competitive advantage when it has the means to edge out rivals when competing for the favour of customers. Organizations can create a competitive advantage over other firms through various ways, but strategic thinking is a core construct in the dynamics of competitive advantage building. In line with this submission, Ibrahim and Elumah (2016) posit that strategic thinking, which is the generation and application of unique business ideas and opportunities aids organizations in creating competitive advantage. Similarly, Graetz (2002) states that strategic thinking is central to creating and sustaining competitive advantage. The skills of strategic thinking usually create a dynamic situation at both organizational as well as individual levels which metamorphoses into the formation of core requirements for the achievement of corporate competitive advantage (Walters, Grome, & Hend, 2013).

Value Creation

The hallmark of a consistent organization is value creation. They go out of their way to ensure that their customers and clients are satisfied with the value they get from the organization, this ensures the sustainability of businesses. One of the best ways to create better value is through strategic thinking which enables firms to act as if they are in the future, always seeking for better ways to improve different organizational processes. Successful managers act as if they live in the future now, hence, strategic thinking would represent more creative opportunities for them that affect their future and makes them well-positioned to create better value (The Thinking Academy, 2012). Strategic thinking means to identify reliable strategies or business models which are led to create better value for the customer (Meisam, Mojtaba, Hamid & Sajadi, 2017).

By deploying the tenets of strategic thinking, the overall strength and performance of a firm are improved upon. Alsaaty (2006) states that it is considered the foundation of civilizations, and the source of organisational progress and value creation. It is pertinent to all entrepreneurs, individuals, groups, association and nations that want to progress and succeed in their endeavours (Falih, 2007). Managers who possess strategic thinking skills can encourage others to seek better and creative ways of ensuring organization all-round progress (Askari, 2015). Al-Qatamin and Esam (2018) explain that it is fundamental for the progress and prosperity of businesses due to its effect on strengthening the general performance of firms through value creation. It leads to systematic problem solving, better opportunity recognition, better allocation of scarce resources and achieving desired results. (Yashar, Vahideh & Taghi, 2018).

Empirical Insight

Emereole, Okafor and Emerole (2019) examined the effect of strategic thinking on organizational performance, using MTN Nigeria in Abia State as a case study. The work made use of survey research design, while primary and secondary data formed the sources of data

collection, with a target population of 100 staff, made up of senior and junior staff of the studied firm. The sample size of the study was 80 respondents, arrived at by using Taro Yamane formula. Data analysis was conducted using Chi-square test. The result indicated a relationship between strategic planning and organization effectiveness (likelihood ratio = .022 <.05 significant level). This from Chi-square test showed the effect of strategic leadership and organization performance (likelihood ratio = .026<.05 significant level). The study, therefore, concluded that Strategic leadership has a significant effect on organizational performance.

Al-Qatamin and Esam (2018) researched the effect of strategic thinking skills on the dimensions of competitive advantage in the banking sector of Jordan. Data was collected using Strategic Thinking Questionnaire (STQ). Four models to capture the effect of each skill of strategic thinking on each dimension of competitive advantage were developed and tested through several hypotheses using multiple regression analysis as a tool for data analysis and hypotheses testing. The result from the test revealed that reflecting as a strategic thinking skill has a significant effect on all dimensions of competitive advantage in all models. On the other hand, the remaining two (system thinking and reframing) skills of strategic thinking failed to show any significant effect on competitive advantage in all models tested in this research.

Yashar, Vahideh and Taghi (2018) identified the impact of strategic thinking of managers on organizational success in Iran. The tool for data collection was is a researcher-made questionnaire that has been set based on the defined hypotheses and previous researches. The population of the study were graduates and graduate students of management in Iran and analysis is done using PLS and the technique used for analysis was SEM. Findings from the analysis indicated that there is a positive and significant correlation between strategic thinking of managers and organizational success.

Brătianu (2015) analyzed the content of strategic thinking and investigated how it is developed in business education in Romania. The content of strategic thinking was analyzed using a metaphorical approach and considering a spectrum of monochromatic thinking models based on some determinant features. A survey based on a questionnaire addressed to 5000 students enrolled in undergraduate and graduate programs of economics and business from the main schools of economic sciences in Romania. The results showed the need for improving the content of the business education curriculum and the teaching approach.

Studies have been carried out in the past in the area of strategic thinking and competitive advantage. But the studies based on the knowledge of the researcher were carried out in other countries and not Nigeria. The study in Nigeria looked at strategic thinking and performance of firms and not competitive advantaged. Also, none of the studies focused on SMEs in southeast Nigeria, hence presenting a knowledge gap that this present study seeks to fill.

METHODOLOGY

The study adopted a Survey Research Design because of the nature of the study; collection of opinion through questionnaire from sampled respondents about a phenomenon. Therefore, the survey design meets these criteria and guided the choice. The population of the study consist of three hundred and eleven (311) selected SMEs in Anambra and Abia State of southeast Nigeria. The criteria for selecting the SMEs are those SMEs registered with the state governments, those paying taxes (tax clearance certificate) and those that have been in existence for at least five years. The sample size of 172 was determined using Krejcie and Morgan (1970) formula. The study made use of a Five Point Likert Scale structured

questionnaire for data collection. With help of the validators from the Instrument and Measurement Department of Nnamdi Azikiwe University, Awka, Nigeria, the questionnaire was thoroughly scrutinized to ensure it had both face and content validity. Spearman-Brown's Split-Half technique was adopted to test the research instrument to ensure it has internal consistency. The coefficient of .899 was obtained and therefore judged to be reliable. Pearson's Product Moment Correlation Coefficient was adopted in testing the hypothesis formulated and it was tested at 0.05 level of significance.

Data Analysis and Result

A total of 172 copies of the questionnaire was distributed to the respondents, 157 was returned, representing 91% of the distributed copies of the questionnaire, out of which 13 copies were not usable because they were not answered correctly or mutilated. Therefore, the study made use of 144 copies of the questionnaire for analysis, representing 84% of the total distributed copies.

Test of Hypothesis

There is a significant relationship existing between Innovative Thinking and Value Creation of SMEs in South-East Nigeria.

Table 1
Result of Correlation Analysis

		INNOTH	VALCRE
INNOTH	Pearson Correlation	1	.902**
	Sig. (2-tailed)		.000
	N	144	144
VALCRE	Pearson Correlation	.902**	1
	Sig. (2-tailed)	.000	
	N	144	144

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Field Survey, 2021

Computation: SPSS Ver. 20.

Keys:

INNOTH = Innovative Thinking

VALCRE = Value Creation

Table 1 shows the correlation analysis result for the hypothesis which states that there is a significant relationship existing between Innovative Thinking and Value Creation of SMEs in South-East Nigeria. The dependent variable in the analysis carried out is Value Creation while the independent variable is Innovative Thinking. The result from the analysis shows that a statistically significant relationship exists between Innovative Thinking and Value Creation of SMEs in South-East Nigeria ($r = .902$, $p\text{-value} < 0.05$).

CONCLUSION

The continuous existence of firms in a changing business environment requires more than just having resources of whatever kind, it transcends owning finance, equipment or even personnel. The business owners have to be changing with the situation and make strategic decisions for the firm. This is hinging on the fact that the findings of this study revealed that strategic things makes for better competitive edge of an organization. This study, therefore, concludes that strategic thinking has a positive nexus with the competitive advantage of SMEs in southeast Nigeria.

Recommendations

Following the conclusion of the study, it is recommended that:

- a) Owners of SMEs need to give other people like family members and employees the opportunity to contribute to the innovative processes of their organization as it will help them to create more value for their customers.
- b) The SMEs and their owners need to always think ahead and make strategic decisions that have an implication on the future sustainability of their firms.

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