Quest Journals
Journal of Research in Business and Management
Volume 9 ~ Issue 8 (2021) pp: 65-75
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

The Relationship between Compatitive Strategies and Performance of Manufacturing-Based Smes In North-West Of Nigeria

Sidi Bello Alkasim[1] and AbubakarMujitaba[2]
[1]*Department of Business and Management Studies*
Umaru Ali Shinkafi Polytechnic, Sokoto, Nigeria
[2]*Department of Marketing*
Umaru Ali Shinkafi Polytechnic, Sokoto, Nigeria

ABSTRACT:
The main objective of this study is to examine business level strategy and competitive strategy perspective of manufacturing-based of SMEs in Nigeria. The study established the relationship between firm's competitive strategies, and performance. Specifically, this paper aims to investigate the effects of cost leadership strategy and differentiation strategy on performance. Hence, this study employed survey design; SPSS and PLS-SEM were used for preliminaries and hypothesis testing. 277 usable questionnaires from owners-managers of manufacturing-based SMEs. The findings of this study indicate that cost leadership strategy and differentiation strategy significantly influence the firm performance of manufacturing-based SMEs in the North-west of Nigeria. Also, the result shows that cost leadership strategy and differentiation will enhances firm's competitiveness and competitive advantage. Thus, the relationships were established. Therefore, owners-managers of manufacturing-based of SMEs possibly make decisions considering their business levelstrategy perspective collectively to integrate competitive strategy to sustain competitive advantage, improve competency and achieve superior performance.

KEYWORDS: *Competitive strategy, cost leadership, differentiation, SME performance.*

Received 18 July, 2021; Revised: 01 August, 2021; Accepted 03 August, 2021

I. INTRODUCTION

Currently, the most dominant forms of business in most economies of the world are the small and medium enterprises (SMEs). These forms of business are now the most entrenched in most countries of the world for the simple reason that they help to foster economic growth and are avenues for the creation of jobs (United Nations Industrial Development Organization) (UNIDO, 2016). Large corporations are known for carrying out these roles have decimated and are now end users of raw materials from these SMEs. However, SMEs are made of up many sectors, Popa and Soto-acosta (2015) says that the ones, which have impacted the most and are developing rapidly, are the manufacturing-based SMEs.

In today global competitiveness the manufacturing industry is therefore the one with the tendency to help economies grow in terms of the enhancement of their GDP and in terms of providing jobs. However, one of this competitive strategies (cost leadership strategy and differentiation strategy) if properly put to use may enhance competitive advantage. Combining the two strategies for any reason may lead to confusion and pose strings of difficulties especially for developing economy like Nigeria, where SMEs are vulnerable to the environment in which they operate, particularly, with regards to whether to offer low cost strategy or differentiate their product and services, will be determine on the competence and availability of resources within their environment.. However, notwithstanding the wide spread innovations the technological cutting edge and advancement in ICT in emerging markets, the misconception of global competitiveness and international trade is now being taken seriously by governments of developing countries so much so that their economic plans now include considerations for the manufacturing sector.

Consideration by governments in this regard has resulted in and provided the bases for high competition, foreign direct investment and help manufacturing sector become major source of job creation. This fact is evident as SMEs in high-income nations are said to contribute 55% to Gross Domestic Product (GDP) and responsible for 65% of employment, while those in middle-income economies, account for 70% of GDP and 95%of employment (NBS & SMEDAN, 2012). The case is no less in low-income-countries where SMEs activities are also said to account for 60% of the GDP and 70% of full employment.

However, currently the Nigerian SMEs contribute less than 10% to the GDP and 25% to the employment rate (Ahmed & Cornelius, 2014; Gbandi, & Amissah, 2014). This is so because according to SMEDAN's report (2013) about 70% of SMEs lack proper strategic orientation and competitiveness, while 68% others do not have access to research and development (R&D) (NBS & SMEDAN, 2012).

In any case it would appear that a firm that operates in an active local environment and experienced highly competitive pressure has advantage of employing Competitive strategies to help it improve its performance. This indicates that cost leadership strategy and differentiation strategy have enable features that other competitors do not have in order to enhance their competitiveness or have competitive advantage as a result of global competitiveness. This paper will therefore address this gap by studying the relationship between competitive strategies (cost leadership strategy and differentiation strategy) on the performance of manufacturing-based SMEs in North-west of Nigeria.

Statementof the Research Problems

The poor performance of the manufacturing-based SMEs in Nigeria has triggered the need for the Nigerian Government, researchers and practitioners to come up with measures on how to deal with these issues strategically. One way of dealing with these issues is to address them from the point of view of the strategic management perspectives, a measure which if adhered to will help to provide the manufacturing-based SMEs in Nigeria with a dynamic strategic direction capable of increasing competitiveness and enhancing performance.

Lack of competitive advantage is one of the main causes of poor performance by manufacturing-based SMEs. In a country like Nigeria, manufacturing-based SMEs need dynamic capabilities such as competitive strategy in order to respond to their firm strategic decisions on matters dealing with competitiveness, maintaining competitive advantage and improving their performance (Teece, 2007; Teece, et al, 1997). Competitive strategy can enhance the competence of a firm and help it to sustain competitive advantage over its competitors as well as help them enhance their operations effectively (Abiodun, 2014; Awoyemi, 2011).

However, studies in the existing literature found to have investigated the impact of competitive strategies on the firm growth and financial performance (Hernandez-Perline et al., 2016; Leitner, 2014). All the studies found positive and significant relationship between competitive strategies and performance. These studies were examined indirectly on the firm performance in such environment, as the service sector, larger and multinational companies in Asian and Austrian contexts. Specifically, only little attention has been given to the effect of competitive strategies on firm performance in developing country on a single study. Therefore, this current study will examine the relationship between competitive strategies and manufacturing-based SME performance in a single model in order to provide sight in a rapidly competitive environment with solutions on how to remain competitive, achieve competitiveness and sustain performance.

Empirical evidence from previous studies have shown that competitive strategies are fundamental strategy that can lead to firms' competitiveness and enhance their performance (Lechner & Gudmundsson, 2014), and. Literature has shown there are little or no studies on the effect of competitive strategy, as existing studies were only conducted in Europe, such as France and Portugal. Thus, indicating that there is limited literature on the role of competitive strategy in African, particularly in Nigeria. As such, competitive strategies can influence firm performance only if proper implementation of competitive strategy is maintained, to sustain competitive advantage.

However, to date, there are no empirical studies on the competitive strategies in the relationship between cost leadership strategy, differentiation strategy and manufacturing-based SME performance. Therefore, this study intends to fill the missing gap in existing literature concerning strategic orientation between competitive strategies (cost leadership and differentiation strategy) on the performance of manufacturing-based SMEs to improve their competitiveness and increase their competitive advantage.

Research Questions

The research questions of this study are as follows:

i. Is there any relationship between Competitive Strategy and Manufacturing-based SME performance?
ii. What is the relationship between cost leadership strategy and Manufacturing-based SME performance?
iii. What is the relationship between differentiation strategy and Manufacturing-based SME performance?

Research Objectives

Thus, the objective of research derives from the research questions mentioned above. Specifically, the objectives of the study are as follows:

i. To measure the relationship between competitive strategies and firm performance.

ii. To examine the relationship between cost leadership strategy and Manufacturing-based SME performance.

iii. To investigate the relationship between differentiation strategy and Manufacturing-based SME performance.

II. LITERATURE REVIEW

Underpinning Theories

A theory is a formal experimental explanation of events that involves predictions on howsome things interact with one another. It contains a rational set of general plans thatpropose a logical explanation of some phenomenon and how other things relate to thisphenomenon (Zikmund, Babin, Carr, & Griffin, 2013). Therefore, this current study isfounded on three theories. These are the Resource-Based View (RBV).

Resource-Based View

Many scholars have made an effort in building theories and frameworks for firm'sinternal resources and competencies. One of those theories, which the current study isbuilt upon, is theRBV of the firm (Barney, 1991). Barney's (1991) perspective is one ofthe most influential theories, RBV suggests that if all firms in the industry share verysimilar resources, then not a single one of them is going to get an opportunity to maintain acompetitive advantage. For that reason, if a firm is able to create capable ofand employ strategies that can increase their performance than other too will do thesame, especially if they both possess similar resources (Barney, 1986)

Barney (1991) confirms that the basis for a firm sustaining its competitive advantage inthe industry depends on its access to various intangible resources that are rare, unique,and non-compatible assets. Thus, that relevant strategy should be utilized to enablesustainable performance, which is not concurrently being used by existing or potentialcompetitors in the industry, in addition to a strategic alignment, which might bechallenging to be copied by such firms.

Therefore, RBV has classified firm resources into intangible and tangible assets such asphysical, human and organizational resources. Physical are firms' tangible resources,while human and organizational are firms' intangible resources, for example, humanresources deal with personal experience, judgment, skills or training and the abilities ofan individual to perform actions within an organization. Organizational resourcesinclude formal and informal planning, reporting structure, environmental scanning andorganizing systems, as well as informal relations among members of the firm and itsenvironment (Barney, 1991), both human and organizational of firm resources areintangible assets.

Competitive strategies are perceived as heterogeneous, complex and unique strategicbehaviours owned by a firm, which allows a firm to assess its strengths and opportunitiesin the various competitive environment as a principal source of competitive advantage(Barney, 1991; Grant,1991), which may equally serve as a source of maintainingcompetitiveness and enhancing performance. Growth strategies are a firm's resource since a firm with high degree of growth could possibly be more innovative,competitive and act practically (Hilman & Kaliappen, 2014). Therefore,firms that are more growth oriented has the fortune of meeting market demands tosustain competitive advantage. They are more active in marketing capacities in terms ofexploring and implementing new ideas and activities in response to the marketenvironment.

Concept of Competitive Strategy

The concept of competitive strategy and business strategy share the same name (Slater &Olson, 2000). Competitive strategy is defined as the strategy that focuses on enhancingthe competitive advantage of an organization over an extended period in the industry(Wheelen &Hunger, 2012). This strategy can be found in the work of early scholars(Bowman & Helfat, 2015; Porter, 1980, 1985; Raymond & Bergeron, 2008) as strategy typologies by many researchers (e.g., Jones & Butler, 1988; Furrer et al., 2008; Thornhill & White, 2007;Parnell, 2010;Leavy, 2013;Slater & Olson, 2000). Meanwhile,presently, the concept is considered as an organizational construct.

Some researchers have suggested that competitive strategy can be aligned to a firm's strategic orientation as its way of responding to its changing environment (Teece et al.,1997). To enable organization respond to customers' needs and market requirements, itmust anticipate how to achieve its organizational objectives effectively (Wheelen& Hunger, 2012; Furrer et al., 2008;Barney, 1991; Teece et al., 1997). In general,competitive strategy is thrives on two fundamental principles (1) The type of business anenterprise is in?

(2) How an enterprise competes? However, strategic managementperspective focuses to determine the firm's capabilities in creating sustainablecompetitive advantage, as well as, greater performance (Wheelen& Hunger, 2012).

Porter (1980) considers both, strategic orientation and competitive strategy asmanagerial activities that are essential sources of competitive advantage. Again, hebelieved that management must choose a distinct strategic position. Strategic positioningin this situation refers to carrying out activities separate from the competitor's orexecution of similar activities in a separate way. Small firms operate in a highlycompetitive environment, regardless of their limitations such as insufficient resourcesand lack of competence to pursue a significant competitive advantage (Armstrong, 2013).

On the other hand, competitive advantage is very important for SMEs, as it wouldenable manufacturing-based SMEs to remain competitive and sustain performance(Armstrong, 2013). Scott and Mars (2013) emphasize that successful SMEs can achievecompetitive advantage, because most SMEs that failed to sustain competitiveness did sobe as a result of poor management of obligations, such as poor supervision,accountability, and indirect command of resources. Therefore, it is essential for majorityof small-scale enterprises to aspire for growth and competitiveness so as to sustain andposition their businesses, gain competitive advantage and achieve performance.

Cost Leadership Strategy

Cost leadership strategy is defined as a strategy that a firm focuses on gaining acompetitive advantage by having lowest cost in the industry (Porter, 1980, 1985, 1986;Kanagal, 2009)). Therefore, when cost is a major concern, the firm always argue for costleadership strategy operation processes, where the workforce is committed to costperception (Mwangi & Omhui, 2013) Mwangi and Omhui (2013) suggest that a firmwilling to achieve growth and sustainable market share should link its activities withcost leadership strategy to enhance competitive advantage and improve performance.

The ability of a firm to acquire competitive advantage from cost leadership requires ahigh market share relative to firm's competitors (Allen et al., 2008). Therefore, toachieve cost leadership advantage in an industry, a firm must succumb to a low-coststrategy on manufacturing and labour force. A firm can achieve cost leadership throughaccess to raw materials, resource utilization, innovation and learning, mass productionand distribution, product design, and economies of scale (Allen et al., 2008; Armstrong,2013; Onakoya et al., 2013). Thus, low-cost advantage can beachieved through firm's innovation, learning processes, efficient and effectiveoperations, cost efficiency, product designs, and markets activities, as a result ofoperating with technological edge (Allen & Helms, 2006)to minimize cost operations.

Therefore, the firm's cost leadership strategy should enable if have improvedcompetitiveadvantage and attain superior performance based on its strategic choice(Armstrong, 2013).Implying that a low-cost approach might provide firms with littlecustomer loyalty if a firm charge very low price which may in turn result in loss ofrevenue (Slater & Olson, 2000).However, Porter recommended that an organizationshould not bear to sacrifice its revenue to achieve cost leadership, because high marketshare can enable firms to achieve greater revenue.

Differentiation Strategy

Differentiation strategy is defined as a strategy that focuses on providing unique productor services (Porter, 1980, 1985; Slater & Olson, 2001; Allen &Helms, 2006; Armstrong, 2013; Bozkurt & Kalkan, 2014;Wrona & Ladwig, 2015).Since the product or services are unique, the strategy is prided on superior value andhigh customer loyalty.

Also, differentiation is related to the processes that involve tailoring the product andservice provided to fulfil a customer needs, the business that has high product flexibility(Spencer et al., 2009), which permits firms to charge the bestprice to capture market share, for example, Apple, Hewlett Park, Microsoft, and Googleimprove their existing products using hi-tech innovation, R&D and components, throughwhich they were able to develop new goods and services for both the current andpotential market segment (Cui et al., 2014).

The best approach to achieve a differentiation strategy is to determine what makes a firmdifferent from their competitor (Slater & Olson, 2001). Many factors responsible fordistinguishing a firm's products and operations, includes upmarket design or trademark image,sophisticated technology, product or service quality, superior customer service,geographical reach, delivery, and distribution system and marketing approach as well asintegrated dealer connections(Pehrsson, 2010; Azar, 2011; Mwangi &Omhui, 2013). The strategy requires a firm to be prepared to add more valueand charge premium price (Allen et al., 2008).

Manufacturing Firm Performance

The determinant for measuring a firm's performance has been the major concern forboth business executives and academic researchers (Al-Matari et al., 2014; Otley, 1999) assert that the measurement of firm

performance has long been thecentral focus of firm executives, shareholders, and researchers. Thus, useful andconsistent performance measurement systems allow a firm to define core businessvalues and carry out strategies that direct and supports firm behavior and evaluates themanagerial effectiveness and deliver the basis to enhance competence (Al-Matari et al.,2014). Hence, it is to the best interest of firms to assess itsperformance.

Financial and Non-Financial Measurement

Ittner et al., (2003) maintained that financial earnings are vital measuresof firm performance perception with regards to compensating executive plan, debtagreements, investors and creditors settlement, as well as vision of a firm's anticipatedgoal to go public. (Ates et al., 2013) have however, affirmed thevarious researches, which prove theunsuccessful nature of the traditional financialperformance measurement system in many situations, especially in integrating all factorsthat are crucial to business success.

Kaplan, and Norton (1992)have on contrary argued that the traditional financialmeasures, for instance, earning per share and return on asset may be misleadingindicators for constant innovation of present competitive environment. Stating that,conventional financial measures are related to the past nature of firms with significantamount, their previous actions and how they overlooked future awareness (Bourguignon et al., 2004). In other words, while such traditional financial measuresoperated well during the industrial era, they are now out of trend to perfectly measurethe capabilities, strategies, and competencies of firms targeting on how to master thepresent (Kaplan & Norton, 1993).

The controversy on whether such traditional financial indicators can still measure to thepresent-day firm's performance led to the development of the dimensions ofnonfinancial indicators as supplements to the financial ones (Bourne et al., 2000). Someof the current development of financial and non-financial measurement systems consistsof balanced scorecard; activity-based costing system (Nørreklit, 2003)smart system (Suwignjo et al., 2000) andperformance pyramid (Tuomela, 2005) Perhapsthe most prominent in the development of financial and non-financial measurementsystems is Kaplan and Norton, (1992, 1993, 1996) balanced scorecard (BSC) measuresthat drive performance of the present competitive environment (Ferreira & Otley, 2009).

To enable firms to improve both strategy capabilities and processes of introducing newproducts with increased competitiveness (Kaplan & Norton, 1992), basically, dependson the ability of a firm to innovate, learn, and respond to the environmental changes,which has a direct connection with organizational values. In short, the ability of a firm tointroduce new products, establish more value for the clients, along with successfuloperational efficiencies to access market and increase its profit margins lies with thefirm's strategic alignment. Thus, in this study a firm's performance is measured basedon balanced-scorecard.

III. METHODOLOGY

In view of literatures reviewed and suggestions sieved from many studies, this study hasopted to work along one framework, which is to carry out an investigation on the effectof matching corporate strategies and competitive strategies to enhance their performanceof manufacturing-based SMEs in Nigeria. The research framework has twoindependent variables as represented by the competitive strategies of firm internal resourcesviz: cost leadership and differentiation. The dependentvariable is however represented by the firm's performance.

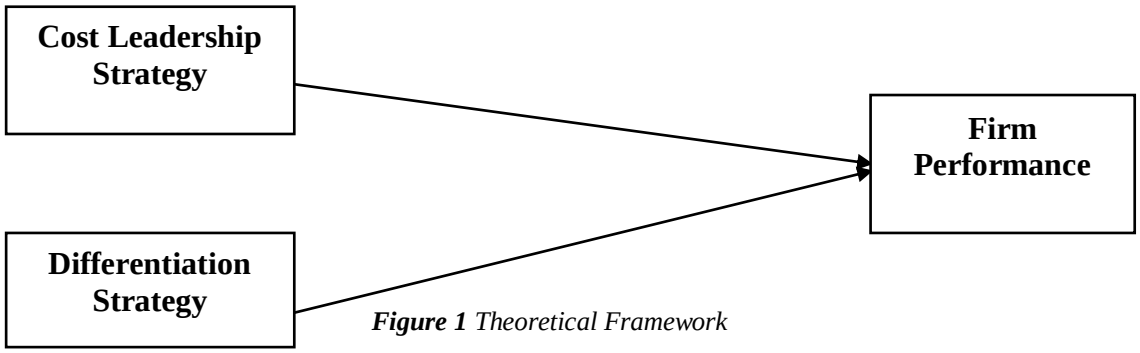

Figure 1 *Theoretical Framework*

Hypotheses Development

The hypotheses advanced in this study are drawn from related literature and supportingtheories reviewed. The aim is to provide tentative answers to the research questionsraised earlier as subsumed in both the problem statements.

The Relationship between Competitive Strategies (cost leadership and differentiation) and Firm Performance

Competitive strategies are the most common attributive resources used by a firm orfirms to secure competitive advantage in a particular industry (Beard & Dess, 1981). Aswell they arestrategies, which focus on how a firm should compete within an industry orcompete for a product or market segment. Hence, making for a competitive advantage isessentialfor manufacturing-based SMEs as it helps them to gain superior performance(Slater & Olson, 2001). Access to competitiveness is therefore a critical issue formanufacturing-based SME performance particularly as it relates to Nigeria. If havingcompetitive strategies can help a firm enhance their competitive advantage (NBS &SMEDAN, 2012). Since this is so there is therefore the need to establish a set ofdynamic strategic structures that can help manufacturing-based SMEs improve theircompetitiveness or gain competitive advantage to sustain performance.

Several researches have shown that a firm's superior performance is determined by itsability to possess the required competitive strategies (Porter, 1980, 1985; Barney, 1986;Allen & Helms, 2006; Allen et al., 2008; Armstrong, 2013).Competitive strategies can help a firm with competitiveness, market share and enhancecompetitive advantage, which in turn sustain firm growth and increase overallperformance (Porter, 1980, 1985; Parnell, 2010; (Uchegbulam et al., 2015).

A firm that utilizes its competitive strategy (cost leadership and differentiation) is sure tobenefit from mass production and distribution, economies of scale, input cost efficiency, access to rawmaterial, product design, capacity utilization of resources, reconfiguringactivities, learning and innovation (Teece et al., 1997; Allen et al., 2008; Armstrong,2013). As well it can enhance a firm's product image, development of technology,product or service quality, superior customer service, geographical reach and delivery,and distribution system and marketing approach (Gorondutse & Hilman, 2017; Azar, 2011; Mwangi &Omhui, 2013).

H1: Cost leadership is significantly related to firm performance
H2: Differentiation is significantly related to firm performance

Research Design

This study will be considering the forgoing facts adopt the survey research design, so as tobe able assess beliefs, positions and judgments about a given situation through collectingprimary data from respondents (Creswell, 2012). This aside this method was chosenbecause it allows the researcher to collect quantitative data and provide explanations on the basis of statistical evidence amassed. It allows the researcher to discover the possiblereasons for a particular relationship between variables, as suggested and the models ofthe relationship generated (Saunders et al., 2009). Therefore, survey research waschosen because it is efficient, fast and provides an accurate assessment of informationabout a given population.

This study will equally be seen to have also employed the quantitative survey method ofusing questionnaire as instrument for data collection. This method was also chosenbecause it was found to be the most appropriate method for this study. That this is sobecause this study involves data collection from large number of manufacturing-based SMEs in Nigeria in order to helpdetermine the relationships between competitive strategy(cost leadership and differentiation) on the firm performance of manufacturing-based SMEs.

Population and Sample Size

The target population for this study are 1,420 manufacturing-based SMEs, registered in North-West of Nigeria, operating in Kaduna, Kano and Sokoto states (NBS & SMEDAN, 2012). This number of SMEs were selected and considered appropriate for study opts for a sample size andtorepresent the entire population of SMEs (Sekaran & Bougie, 2013)since they share the samecharacteristic. The sample size for this study, which ranged from 1,400 to 1,500 is therefore 302(Sekaran 2003). Please note before the actual sample size 50% to avoidsample error and issues of non-response. As such 453 questionnaires were eventuallydistributed to manufacturing-based SMEs (Bartlett et al., 2001).

Data Collection Procedures

Data collection is the processes of gathering data for a survey using both primary andsecondary sources (Sekaran & Bougie, 2010). The primary source of data is required if thesecondary data is unable to help in achieving the objectives of the research. This may bequalitative or quantitative; and may comprise observation, questionnaires, andinterviews or focus group (Sekaran & Bougie, 2013). The study employed the method of self-administeredquestionnaire for data collection among manufacturing-based SMEs inKaduna, Kano, and Sokoto states all located in the Northwest region of Nigeria.

IV. DATA PRESENTATION

The data used for this study were collected from owners and managers of manufacturing-based SMEs in Nigeria. 453 questionnaires were personally administered to the sampledSMEs. 329 questionnaires were returned, signifying a 73% total response rate. However,out of 329 questionnaires, about 52 questionnaires were found to be a significant part ofthose questionnaires not completed by the respondents or rejected from further analysis.Leaving the researcher with 277 usable questionnaires for analysis, representing a 61%of the valid response rate.

In conducting a statistical analysis, data screening is essential. Preliminary analyses wereperformed to help the study identify any potential violations of the key assumptionsconcerning an application of multivariate procedures of data analysis (Hair et al., 2010).

Demographic Profile of the Respondents

Specifically, the demographics characteristics examined in this studyinclude; position, gender, the level of education, ownership type, the number ofemployees, business location, the age of the business, and stage of the business. TheTable 1 below shows the frequencies and the percentages of the participants.

Table 1 Demographic Profile of the Respondents

Items	Categories	Frequency	Percentage
Job position in the firm	Owner	74	26.71
	CEO	58	20.93
	Manager	98	35.22
	Others	47	17.14
Gender	Male	194	70.00
	Female	83	30.00
Education Qualification	SSEC	55	19.92
	ND/NCE	83	30.31
	Degree	96	34.70
	Master	41	14.82
	PhD	2	0.74
Type of Business	Sole proprietorship	68	24.52
	Partnership	113	40.84
	Limited liability	72	26.25
	Joint venture	24	8.73
Number of Employees	10-49	117	42.20
	50-199	160	57.83
Business Office	Kaduna	55	19.94
	Kano	187	67.50
	Sokoto	35	12.63
Years Operation	Less than 1 year	58	21.30
	1-5 years	109	39.40
	6-10 years	59	21.32
	11-15 years	50	18.14
Business Stage	Introduction	80	28.93
	Growth	116	41.93
	Maturity	66	23.85
	Decline	15	5.47

Measurement Model Analyses

To determine the individual constructs measures validity and reliability, the two-step modelling approach was used as recommended by Henseler et al., 2009). First started with measuring the convergent validity and reliability, followed by discriminant validity. Below Table 2 indicates the internal consistency and reliability. As suggested the rule of thumb, construct validity is to determine if the loadings of each item are greater than 0.7; composite reliability also is greater than 0.7; average variance extracted should be greater than 0.5 (Henseler et al., 2014).

In order to meet the threshold of CR 0.70 and above, and AVE 0.50 and above, the following items were deleted Cost Leadership 3 items, Differentiation 4 items, Firm Performance 7 items, as recommended by (Sarstedt et al., 2016). In this study CR value for all the constructs were above the threshold value, the CR range from 0.80 to 0.81, this indicates the reliability of the measurement model. The convergence validity of the constructs, where the constructs explain half of the variance of their indicators, the result indicates the AVE values ranging from 0.57 to 0.59; this concludes that the convergent validity is established.

Table 2 Measurement Model Analyses

Constructs	Items	Loadings	CR	AVE
Cost Leadership	CL_3	0.74	0.80	0.57
	CL_5	0.71		
	CL_6	0.80		
Differentiation	DF_1	0.72	0.81	0.59
	DF_2	0.80		
	DF_7	0.78		
Firm Performance	FP_3	0.80	0.81	0.58
	FP_6	0.75		
	FP_7	0.73		

Discriminant validity was measured to see the uniqueness of each construct (Sarstedt et al., 2016). The study measured discriminant validity using Fornell- Larckert criterion Sarstedt et al., 2016), and Henseler'sheterotriait-monotraitt ratio (HTMT) of correlation as recommended by Henseler et al., (2014). Thus, the discriminant validity was measured by comparing the square root of the AVE for each construct with the correlation presented in the matrix. Table 3 below presents the results of the Fornell-Lerckert. Also supported by HTMT result presented in Table 4, thus, discriminant validity is established with HTMT0.90.

Table 3 Discriminant Validity (Fornell-Lackert Criterion)

Constructs	1	2	3
Cost Leadership	**0.75**		
Differentiation	0.19	**0.77**	
Firm Performance	0.27	0.34	**0.76**

Table 4 Discriminant Validity (HTMT Criterion)

Constructs	1	2	3
Cost Leadership			
Differentiation	0.27		
Firm Performance	0.42	0.52	

Hypotheses Testing

The structural model (bootstrapping) specifically analysed the effects of competitive strategy (cost leadership and differentiation) on firm performance hypotheses H1: Cost leadership is significantly related to firm performance. H 2: Differentiation is significantly related to firm performance.

The interpretation of the hypotheses analysis is summarized in Table 5. The H1 indicates that cost leadership has a significant positive effect on firm performance, the result indicates (β =0.22; t=4.00, p>0.00). Thus, H1 is supported. The finding is consistent with the previous studies of Mwangi and Omhui (2013). Also, the H2 reveals that there is a significant positive influence of differentiation on the firm performance, the result indicates (β =0.31; t= 4.94, p>0.00) and the result of this study is consistent with the findings ofGorondutse and Hilman (2017). Therefore, the hypothesis H2 is supported.

Table 5 Hypotheses Testing

Hypo	Relationship	Beta	STD Error	T value	P value
H 1	Cost Leadership-->Firm Performance	0.22	0.05	4.00	0.00
H 2	Differentiation -->Firm Performance	0.31	0.06	4.94	0.00

The study assessed the effect size (f^2) using the Cohen's (1988) formula as the stated rule of thumb, where the effects f^2 values of 0.02 indicates small, 0.15 stands for medium and 0.35 represents a large effect. This is unlike the case of direct relationships model where there is only one endogenous construct (firm

performance). The effect size of this model is therefore concerned with one endogenous latent construct (firm performance). Below are the results as presented in Table 7

Table 7 Effect Size

Latent Constructs	R^2 included	R^2 Excluded	f^2	Effect Size
Firm Performance	0.16			
Cost Leadership		0.08	0.10	small
Differentiation		0.12	0.05	small

In this study, predictive relevance was assessed to confirm the predictive relevance of the model (Henseler etal., 2009). Thus, the Q^2 value was obtained based on stone-Geisser's test from PLS-SEM blindfolding, using cross-validated redundancy results for the endogenous latentconstructs, the results indicate the Q^2 value is greater than zero.This indicates 18% predictive relevance of the model, as such there are other factors that influence the model. See Table below.

Table 6 Predictive Relevance Q^2 (full Model)

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
Firm Performance	831.00	681.33	0.18

V. DISCUSSION

The main objective of this study is designed to examine the effect of competitivestrategies (cost leadership and differentiation) on the firm performance of manufacturing-based SMEs in Nigeria. To meet this objective, hypotheses were proposed and tested usingPLS- SEM bootstrapping method (Preacher & Hayes, 2008). Analytically, the objective wasachieved. Specifically, to meet this determination hypotheses H1 and H2, wherestructured to examine the relationship between cost leadership and differentiationon firm performance. All the hypotheses were tested and the result indicates there is relationship between competitive strategies and firmperformance.

The result of this study confirms the impact of competitive strategies on the performance of manufacturing-based SMEs in Nigeria. The findings of this study focused on the previous studies, which acknowledged the influence of firm's cost leadership strategy and differentiation strategy. The present study found that 61% of manufacturing-based of SMEs in Nigeria acknowledged the importance of competitive strategies of firm's resources to improve competitiveness and achieve competitive advantage.

Hypotheses; H1 indicates that cost leadership strategy has a significant impact on SME performance. The result shows that cost leadership strategy was able to explain 22% of manufacturing-based on SME's performance. The result of this study is consistent with the previous studies such as (Mwangi &Omhui 2013). H2 point out that 31% of differentiation strategy has more significant influence on SME performance. This result is reliable with the earlier studies (Gorondutse & Hilman 2017).

VI. CONCLUSION AND LIMITATIONS

The finding of this study has established empirical evidence for the manufacturing-based onSMEs creating a strategic decision in determining competitive strategies and performance measurements. In struggling to create effectiveness, improve competitive advantage and enhance performance. Owners-managers of manufacturing-based of SMEs may consider the current model and the findings of this study to align cost leadership and differentiation strategies as a guide to reflect its strategic orientation in a competitive environment. In essence, the results of this study recommended that firm's business level strategy and competitive strategies would help manufacturing-based SME's strategically, concerning business level strategy and rebuilding its strategy to create a sustainable competitive advantage and enhance performance.

Finally, the study is limited to the manufacturing-based SMEs in the Northwest of Nigeria. Also, this study examined only two business level strategies known as competitive strategies. The present study employed cross-sectional research design. With regards to the source of data, only one source was used in gathering data from the owners-managers of manufacturing-based SMEs in Nigeria. However, the present study suggested that future studies should consider other sectors as well as other region to provide a more comprehensive result and validate the current findings.

REFERENCE

[1]. Abiodun, A. (2014). SME firms performance in Nigeria: Competitive advantage and its impact. *International Journal of Research Studies in Management*, *3*(2), 75–86.

[2]. Ahmed, I., & Cornelius, A. (2014). The role of government in the development of MSMEs in Nigeria between 1991 and 2012. *International Business and Social Research*, *04*(12), 17–26.

[3]. Al-Matari, E. M., Al-Swidi, A. & Fadzil, F. H. B. (2014). The measurements of firm performance's dimensions. *Asian Journal of Finance & Accounting*, *6*(1), 24–49. https://doi.org/10.5296/ajfa.v6i1.4761

[4]. Allen, R. S., & Helms, M. M. (2006). Linking strategic practices and organizational performance to porter's generic strategies. *Business Process Management*, *12*(4), 433–454.

[5]. Allen, R. S., Helms, M. M., Jones, H., Takeda, M. B., & White, C. S. (2008). Porter's business strategies in Japan. *Business Strategy Series*, *9*(1), 37–44. https://doi.org/10.1108/17515630810850109

[6]. Armstrong, C. E. (2013). Competence of flexibility? Survival and growth implications of competitive strategy preferences among small US businesses. *Journal of Strategy and Management*, *6*(4), 377–398.

[7]. Bourne, M. (2013). The development of SME managerial practice for effective performance management. *Journal of Small Business and Enterprise Development*, *20*(1), 28–54.

[8]. Awoyemi, O. . (2011). Firms growth dynamics in Nigeria ' s manufacturing industry : A panel analysis. *Journal of Applied Econometric Review*, *1*(1), 1–18.

[9]. Azar, O. H. (2011). Relative thinking in consumer choice between differentiated goods and services and its implications for business strategy. *Judgment and Decision Making*, *6*(2), 176–185. http://journal.sjdm.org/11/10921/jdm10921.pdf

[10]. Barney, J. (1986). Organizational ulture: Can It be a source of sustained competitive advntage? In *Academy of management review* (Vol. 11, pp. 656–665). https://doi.org/10.2307/258317

[11]. Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120.

[12]. Bartlett, J. E., Kotrlik, J. W., & Higgins, C. C. (2001). Organizational Research: Determining Appropriate Sample Size in Survey Research. *Information Technology, Learning, and Performance Journal*, *19*(1), 43–50. https://doi.org/10.1109/LPT.2009.2020494

[13]. Beard, D. W., & Dess, G. G. (1981). Corporate-Level Strategy, Business-Level Strategy, and Firm Performance. In *Academy of Management Journal* (Vol. 24, Issue 4, pp. 663–688).

[14]. Bourguignon, A., Malleret, V. &, & Nørreklit, H. (2004). The American balanced scorecard versus the French tableau de bord: The ideological dimension. *Management Accounting Research*, *15*(2), 107–134.

[15]. Bowman, E. H., & Helfat, C. E. (2015). *Strategic Management Journal*,. *22*(1), 1–23.

[16]. Creswell, J. W. (2012). Educational research: Planning, conducting, and evaluating quantitative and qualitative research. In *Educational Research* (Vol. 3).

[17]. Cui, A. P., Michael, F. &, & Shaoming, Z. (2014). The importance of strategic fit strategies on small and medium- contingency perspective. *Journal of International Marketing*, *22*(4), 67–85.

[18]. Ferreira, A., & Otley, D. (2009). The design and use of performance management systems: An extended framework for analysis. *Management Accounting Research*, *20*(4), 263–282. https://doi.org/10.1016/j.mar.2009.07.003

[19]. Furrer, O., Sudharshan, D., Thomas, H. &, & Alexandre, M. T. (2008). Resource configurations, generic strategies, and firm performance exploring the parallels between reource-based and competitive strategy theories in a new industy. *Journal of Strategy and Management*, *1*(1), 15–40. https://doi.org/10.1108/JFM-03-2013-0017

[20]. Gbandi, E. C. & Amissah, G. (2014). Financing options for small and medium enterprises (SMEs) in Nigeria. *European Scientific Journal*, *10*(1), 327–340.

[21]. Gorondutse, A. H., & Hilman, H. (2017). Influence of differentiation strategy on performance of hotels : the moderating role of environmental munificence. *Journal of Business and Retail Management Research*, *11*(4), 150–161.

[22]. Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis (7th ed.). Upper Saddle River, NJ: Pearson Education International*.

[23]. Han, C., Dong, Y., & Dresner, M. (2013). Emerging market penetration, inventory supply, and financial performance. *Production and Operations Management*, *22*(2), 335–347. https://doi.org/10.1111/j.1937-5956.2011.01311.x

[24]. Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing*, *20*, 277–319. https://doi.org/10.1016/0167-8116(92)90003-4

[25]. Henseler, Jorg, Ringle, C. M., & Sarstedt, M. (2014). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, *43*(1), 115–135. https://doi.org/10.1007/s11747-014-0403-8

[26]. Hernández-Perlines, F., Moreno-García, J., & Yañez-Araque, B. (2016). The mediating role of competitive strategy in international entrepreneurial orientation. *Journal of Business Research*, 1–7. https://doi.org/10.1016/j.jbusres.2016.04.142

[27]. Hilman, H., & Kaliappen, N. (2014). Do Cost Leadership Strategy and Process Innovation Influence the Performance of Malaysia Hotel Industry? *Asian Social Science*, *10*(10), 134–141. https://doi.org/10.5539/ass.v10n10p134

[28]. Ittner, C. D., Larcker, D. F., & Meyer, M. W. (2003). Subjectivity and the weighting of performance measures: Evidence from a balance from a balanced scorecard. *The Accounting Review*, *78*(3), 725–758.

[29]. Jones, G. R., & Butler, J. E. (1988). Costs, Revenue, and Business-Level Strategy. *Academy of Management Review*, *13*(2), 202–213.

[30]. Kanagal, N. (2009). Role of Relationship Marketing in Competitive Marketing Strategy. *Journal of Management and Marketing Research*, *2*, 1–17. http://search.proquest.com/docview/759962744?accountid=34461

[31]. Kaplan, R S; Norton, D. P. (1992). The balanced scorecard –measures that drive performance the balanced scorecard – measures. *Harvard Business Review, (January–February)*, 71–79.

[32]. Kaplan, R. S. &, & Norton, D. P. (1993). Putting the balanced scorecard to work. *Harvard Business Review*, *71*(5), 135–147.

[33]. Leavy, B. (2013). Updating a classic formula for strategic success: focus, alignment, repeatability and leadership. *Strategy & Leadership*, *41*(1), 18–28. https://doi.org/10.1108/10878571311290043

[34]. Lechner, C., & Gudmundsson, S. V. (2014). Entrepreneurial orientation, firm strategy and small firm performance. *International Small Business Journal*, *32*(1), 36–60. https://doi.org/10.1177/0266242612455034

[35]. Leitner, K. (2014). Strategy formation in the innovation and market domain: emergent or deliberate? *Journal of Strategy and Management*, *7*(4), 354–375.

[36]. NBS, & SMEDAN. (2012). Survey report on Micro, Samll and Medium Enterprises (MSMEs) in Nigeria. In *National MSME Collaborative Survey*.

[37]. Nørreklit, H. (2003). The balanced scorecard: what is the score? A rhetorical analysis of the balanced scorecard. *Accounting, Organizations and Society*, *28*(6), 591–619. https://doi.org/10.1016/S0361-3682(02)00097-1

[38]. OECD. (2007). Glossary of statistical terms. *An Organisation for Economic Co-Operation and Development Report: Prepared by the Intersecretariat Working Group on Transport Statistics – Eurostat, European Conference of Ministers of Transport (ECMT), United Nations Economic Commission for Europe (UNECE*. https://stats.oecd.org/glossary/detail.asp?ID=6323

[39]. Onakoya, A. B. O., Fasanya, I. O., & Abdulrahman, H. D. (2013). Small and medium scale enterprises financing and economic growth in Nigeria. *European Journal of Business and Management.*, *5*(4), 130–136. https://doi.org/10.5539/ijbm.v10n3p203

[40]. Otley, D. T. (1999). Performance management: a framework for management control systems research. *Management Accounting Research*, *10*(4), 363–382. https://doi.org/10.1006/mare.1999.0115

[41]. Parnell, J. A. (2010). Strategic clarity, business strategy and performance. *Journal of Strategy and Managementy*, *3*(4), 304–324.

[42]. Pehrsson, A. (2010). Business-relatedness and strategy moderations: impacts on foreign subsidiary performance. *Journal of Strategy and Management*, *3*(2), 110–133. https://doi.org/10.1108/17554251011041779

[43]. Popa, S., & Soto-acosta, P. (2015). Factors Affecting e-Business use and its Effect on Innovation and Firm Performance in Manufacturing SMEs. *ECIC2015*, 270–279.

[44]. Porter, M. E. (1980). *Competitive atrategy: Techniques for Analyzing industries and competitors. Macmillan, New York.*

[45]. Raymond, L., & Bergeron, F. (2008). Enabling the business strategy of SMEs through e-business capabilities: A strategic alignment perspective. *Industrial Management & Data Systems*, *108*(5), 577–595. https://doi.org/10.1108/02635570810876723

[46]. Sarstedt, M., Hair, J. F., Ringle, C. M., Thiele, K. O., & Gudergan, S. P. (2016). Estimation issues with PLS and CBSEM: Where the bias lies! *Journal of Business Research*, *69*(10), 3998–4010. https://doi.org/10.1016/j.jbusres.2016.06.007

[47]. Saunders, M., Lewis, P., & Thornhill, A. (2009). Research Methods for Business Students. In *Research methods for business students*.

[48]. Scott, R. E., & Mars, M. (2013). Principles and framework for eHealth strategy development. In *Journal of Medical Internet Research* (Vol. 15, Issue 7).

[49]. Sekaran, U., & Bougie, R. (2010). *Theoretical framework In theoretical framework and hypothesis development. Research Methods for Business: A Skill Building Approach, United Kingdom: Wiley*, *80*.

[50]. Sekaran, Uma, & Bougie, R. (2013). *Research methods for business: A skill building approach 6th ed. John Wiley & Son*.

[51]. Slater, S. F., & Olson, E. M. (2000). Strategy Type and Performance: The Influence of Sales Force Management. *Strategic Management Journal*, *21*(8), 813–829. https://doi.org/10.1002/1097-0266(200008)21:8<813::AID-SMJ122>3.0.CO;2-G

[52]. Slater, S. F., & Olson, E. M. (2001). Marketing's contribution to the implementation of business strategy: An empirical analysis. *Strategic Management Journal*, *22*(11), 1055–1067.

[53]. Spencer, X. S. Y., Joiner, A. Therese, &, & Salmon, S. (2009). Differentiation strategy, performance measurement systems and organizational performance: Evidence from Australia. *International Journal Of Business*, *14*(1), 83–103. http://www.craig.csufresno.edu/International_Programs/JC/IJB/Volumes/Volume 14/V141-5.pdf

[54]. Suwignjo, P., Bititci, U. S., & Carrie, A. S. (2000). Quantitative models for performance measurement system. *International Journal of Production Economics*, *64*, 231–241.

[55]. Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, *28*, 1319-1350.

[56]. Teece, D., Pisano, G., Shuen, A., Pisano, G., &, & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z

[57]. Thornhill, S., & White, R. E. (2007). Research notes and commentaries on stratigic purity: A multy-industry evaluation of pure vs. hybrid business strategies. *Strategic Management Journal*, *28*(2), 553–561. https://doi.org/10.1002/smj

[58]. Tuomela, T. S. (2005). The interplay of different levers of control: A case study of introducing a new performance measurement system. *Management Accounting Research*, *16*(3), 293-320.

[59]. Uchegbulam, P., Akinyele, S., & Ibidunni, A. (2015). Competitive strategy and performance of selected SMEs in Nigeria. *International Conference on African Development Issues: Social and Economic Models for Development Track*, *August*, 326–333.

[60]. UNIDO. (2016). *Industrial Development Report 2016: The Role of Technology and Innovation in Inclusive and Sustainable Industrial Development*.

[61]. W. Mwangi, A., & Omhui, K. (2013). Effects of Competitive Strategies on the Performance of Mission Hospitals in Kenya (A Case of Kijabe Mission Hospital). *International Journal of Science and Research*, *2*(11), 14–19.

[62]. Wheelen, T. L., & Hunger, J. D. (2012). *Strategic Management and Business Policy 13th edition*.

[63]. Wrona, T., & Ladwig, T. (2015). Studying strategy formation in small companies- a congnitive perspective. *Journal of Strategy and Management*, *8*(1), 2–20.

[64]. Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). *Business research methods (9th ed.). South-Western: Cengage Learning.*