

SEARCHING FOR DISTINCTIVE COMPETENCIES IN SMALL SCALE ENTERPRISES THROUGH BUSINESS ENVIRONMENT ANALYSIS

Dr. Ogunsiji, A.S.

Abstract

The paper admits that the economic prosperity of any nation, Nigeria inclusive, depends largely on the catalytic dynamism and growth of small scale enterprises, because they offer linkage effect and promote income resource and population redistribution. The study surveyed 280 SSEs randomly selected in Oyo State for the relevance of environmental analysis in the search for distinctive competence using both simple percentages and factor analysis. Allowance was however made for multiple responses in some cases. The study found out that there is an overwhelming acceptance (by over 89% of respondents) the need for environmental scanning if distinctive competences are to be identified developed and promoted as basis for strategic decision making and planning. This was confirmed by a standard deviation value of 1.31 and standard error of mean value of 2.27. Furthermore the low coefficient of variation below 0.5 in all cases was reinforced by the fact that the variability of the factors of the environment are at below 0.005.

Introduction

The future of economic prosperity of any nation including Nigeria lies in the catalytic dynamism and growth of small-scale enterprises (SSEs). They are seen to be the vital engine of economic growth and industrialism. The significance of SSEs as linkage chains is not in any doubt because, though they are labour intensive, they can enhance improved income distribution, the generation and diffusion of local resources, improved spatial distribution of industrial activity and hence, mitigate rural-urban population movements, and promote rural development and exploration of local raw materials (Kalu, 1996).

Though the controversy surrounding the definition of what constitutes SSE is unmitigated, the common denominator or benchmark in most countries of the world is that it is small and simple in terms of structure, size, ownership and capitalization.

However, the need to focus a searchlight on this significant economic subsector is the realization that the large-scale, import-dependent enterprises have failed to propel Nigeria into a satisfactory path of industrialization. Nevertheless, SSEs are besieged with problems of undercapitalization, inadequate finance, ignorance of institutionalized incentives and credits, high rate of business mortality, shortage of infrastructural facilities and lack of appropriate technologies among others (Ogunsiji, 2002; Nwachukwu, 1998). These problems have been differently classified by different authors as financial, managerial, technical, commercial and infrastructural when viewed in terms of input or as environmental when viewed from the perspective of the concept of distinctiveness (Roger, 1995; Ogunsiji, 2004). Regardless of the type of classification adopted, the bottom line is that environmental factors affect SSEs to varying degrees and only a scientific analysis of it can unearth the direction and strength of the influence, how they constitute problems and/or prospects.

The concept of distinctiveness seems most intriguing and appropriately relevant for investigation in a business environment considering the plethora of small-scale enterprises operating therein. The area of distinctive competence which implicitly advocates differentiation of the entire business are adroitly relevant because each small entrepreneur often reserves a distinctiveness as a business trick to differentiate his business outfit from those of the competitors. Such distinctiveness could be in the product line, product specialization, technology of organization and other methodologies of servicing the market (Ogunsiji, 2002; 2004).

These SSE sub-sector consciously indulge in the distinctive maneuverability which advocates choice or creation of a niche i.e. form of specific market segmentation, price and process playing using the strategy of plans, ploys, patterns, position and perspective (Mintzberg, 1978).

In spite of the very many odds against SSEs that cause the SSEs entrepreneurs "unmet aspirations" researches affirmed that (the entrepreneurs are endowed with immeasurable level of perseverance to combat both the environmental factors (Nwachukwu, 1998; Abumere, Arimah, and Jerome, 1998; Ogunsiji, 2002). Most of the frustration which the small-scale entrepreneurs' seemed to face are considered to be mere judgmental expressions not supported by findings based on scientific analysis. Their real states of mind, often though affected adversely by environmental inhibiting factors which disillusion the strategic decision making procedure, are commonly aimed at the concept of distinctiveness. All these are what help to sharpen their vision towards establishment and promotion of SSEs.

Small Scale Enterprises and Environmental Analysis

To a large extent organizations especially SSEs are to rely on environmental analysis as the relevant input towards organization's ability to strategically manage the skill, profit, capital, market, product line, product life cycle, strength and direction of competition and the eventual choice of management strategy that could be adopted as relevant responses to environmental impact.

Methodology

There are 621 listed SSEs in all the 5 senatorial Districts of Oyo State. About 56 SSEs were randomly selected from each district. Thus, a total of 280 respondent firms were randomly selected from the total population of 621 listed SSEs to secure a validly representative of the population in which reliable generalizations could be made. Pre-tested questionnaires were administered and 267 questionnaires were returned out of which 221 (78% valid response rate) were found completely analyzable.

A combination of simple percentages and factor analysis were used to analyse the data obtained. However, respondents were allowed multiple responses to each of the questions.

Discussion of Findings

It was clearly evident that about 80% of total respondents investigated admitted to the significance of market and economic state, in environmental scanning (Table 1). It was also found out that environmental analysis form the basis for strategic decision-making process. The value of standard deviation obtained as the measure of the dispersion of these variables were found not to have been caused by chance and was reinforced as such by the standard error of mean obtained **Table 1. Factor Percentage Distribution of Relevance of Environmental**

Factor	Irrelevant t	Fairly Relevant	Relevant t	Very Relevant	Total
Size	2	55	117	64	238
Managerial skill	—	27	119	86	236
Lite Cycle	5	39	105	87	236
Org. Perception	6	45	134	61	236
Product Line	6	34	110	84	234
Profitability	7	25	101	100	233
Market Served	9	36	110	79	234
l_ S t y ! e _ _ _ _ _	12	44	106	76	238
Competition Perception	23	57	106	50	236
Total	74(3.1)	362(17.)	998 (47.1)	687 (32.4)	2121

Source: Field Survey.

The aggregate of the content analysis for perception of the "underlying variables" of strategic decision-making shows that about 79% evaluated it as either very relevant or simply relevant as response to the impact of the environmental analysis (Table 1).

Furthermore, the coefficient variable are all relatively low at below 0.5 in all cases. Therefore the variability of the factors of the environment arc minimal at about $R = 0.005$ thus implying the factors remain invariable to over 99.5% in each case.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.072a	.005	.000	4.5183

Model	Change statistics					Durbin-Watson
	R Square	F Change	Df1	Df2	Sig. F change	
1	.005	.924	J_	175	.338	1.129

Mean $x' = 2.27$; $c = 1.31$; $a^2 = 1.70$; $jj = 16.77 (5.87)$.

This points to the fact that environmental analysis as a basis of strategic decision making is considered relevant up to degree of 72% by not less than 79% of the total respondents, while another 17% considers it only fairly relevant thus giving a total of 97% of the respondents. Hence the detection of competence on the

variables skill, profit, capital, market, etc, enjoyed preponderant acceptability for strategic decision making and efficient performance among small-scale entrepreneurs.

This opinion when tested for validity has a mean (\bar{x}) of 2.27 and standard deviation (σ) of 1.31 and variance (σ^2) of equal 1.70 while the chi-square $\chi^2 = 16.77$ (5.87) at degree of freedom equals 12 with asymptotic study error (2 sides) = 0.15, all significant at 95%.

However the correlation matrix (table 3) showed that there exists positive inter-correlation among the variables examined up to 0.01 significant level with varying strength. From the result of factor analysis it becomes obvious that further plan on resources, economic state, opportunities/threats, market, future plans on competition correlate very highly on how to plan future performance strategy in the order listed. Their respective coefficient of determination of 0.779, 0.765, 0.688, 0.678 and 0.643 are all significant at 0.01 (i.e. 99%) level.

Thus, the significance of future plan on the various variables showed high correlation than on the present data collected on the variables. The implication of this is that the analysis of environment is not only significant for the present as it is for the future.

Searching for Distinctive Competencies in Small Scale Enterprises Through Business Environment Analysis

Table 3: Correlation Matrix

	F.P (market)	D.C (Market)	F.P (Econ. State)	D.C. (econ State)	D.C. (Comp State)	F.P (Competition)	D.C. (Opportunities)	F.P	F.P (Threats)	D.C. (threats)	F.P (resources)
Pearson F. P. (Market) Correlation D. C.	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
(market) F.P	.686**	.6254**	.719**	.566**	.684**	1.000	1.000	.645**	.727**	.468**	.678*
(market) D.C.	.765**	.668**	.585**	.587**	.564**	.573**	.693**	.525**	.679**	.390**	
(econ. State) F.P	.589**	.585**	.585**	.590**	.684**	1.000	1.000	.784**			
(econ. State) D.C.	.505**	.561**	.727**	.587**	.564**	.573**	.693**				
(econ. State) D.C	.678**	.574**	.641**	.590**	.564**	.573**	.693**				
(Comp. State) D.C	.595**	.590**	.752**	.592**	.488**	.715**	.693**				
(Comp. State) F.P	.726**	.519**	.690**	.531**	.488**	.715**	.693**	1.000			
(Comp. State) D.C.	.643**	.465**	.554**	.550**	.499**	.681**	.544**	.645**	1.000		
(Opportunities) F.P	.490**	.646**	.758**	.550**	.494**	.507**	.512**	.525**	.727**	1.000	
(Opportunities) D.C. (Threats)	.779**	.646**	.543**	.522**	.494**	.671**	.593**	.784**	.679**	.468**	1.000
(Opportunities) F.P	.599**	.561**			.439	.481**	.627**	.586**	.514	.390**	.678*
(Opportunities) D.C											
(resources) D.C											

** Correlation is significant at the 0.01 level (2-tailed).

D.C is the direct/current situation while the F.P measures the future plan on each state.

Source: Derived Through analysis.

scanning revealed the direction and degree of influence of competition on business startups and closures which could be used as index to the SSE growth rate.

The findings from the environmental analysis, to a large extent, confirm the relevance of the adapted system model of strategic management proposed, by Cole and the significance of distinctiveness as environmental criteria for strategic decision making to combat competition, create a niche, differentiate capability or resource mix and for maneuvering the composition, direction and strength of changes in the dynamic and volatile environment in which SSEs operate. This concept of distinctiveness is often reserved by Small Scale Enterprises as a business trick for survival.

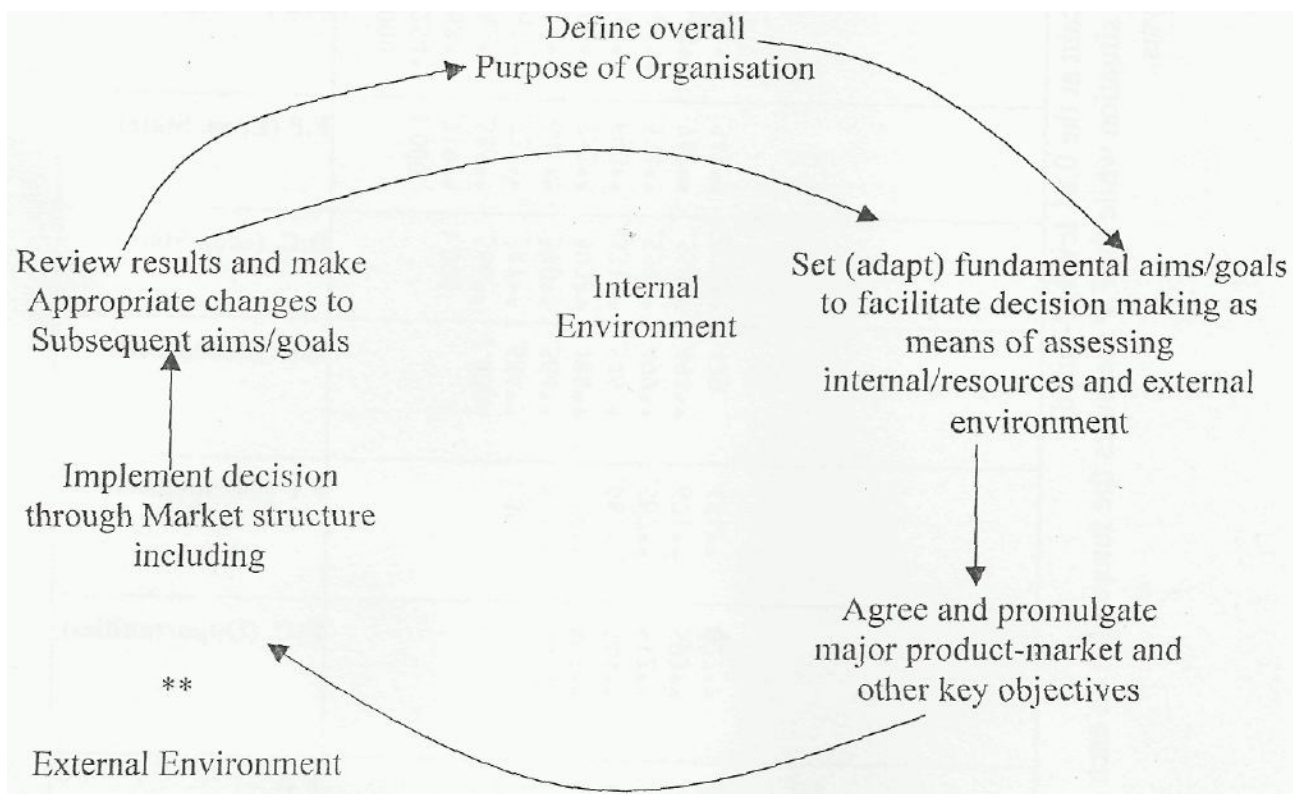


Fig. 1: Basic Strategic Management Model

Adapted from Small Business Management; A Case Study

It is also the analytical phase of the search for distinctiveness that becomes useful for the adoption of systematic managerial process organized by responsibility, time and information to ensure effective operational planning, project planning and strategic planning, the precursor of strategic management, that excellent managers now adopt.

Complimentary to the establishment of strategic planning are the presence of short term, "tactical plans, especially when predictions seem to falter. The short term tactical plans are made as responses to the environmental impacts standing to disrupt the already established long term plans. Such short term responses are made by juggling or adjusting distinctively a combination of the environmental variables such as management style, profitability, size and structure of organizational life cycle, product line, market served among others. These are the sources of distinctive competences.

Conclusion

Small .Scale Enterprises serve as formidable linkage chains that propel the industrial engine of growth in any nation, the simplicity of SSEs in terms of structure, size, ownership technology and capitalization notwithstanding.

They enhance improved income distribution, improved spatial distribution, industrial activity, the general and diffusion of local resources and they also mitigate rural-urban population movements, However, the concomitant consequences are often inhibited by the problems of undercapitalization, ignorance of institutionalized incentives, shortage of infrastructural facilities and inappropriate technologies which are all of environmental descent in the search for distinctive competences. That is why environmental analysis is inevitable in the calls for choice of management strategy that could be adopted for the search and detection of distinctive competences.

References

Abumerc, S.F.; Arimah, B.S. and Jerome, T.A. (1998). The informal Sector in Nigeria's Development Process.

- Ayub, M. and Hegstad, S. (1987). Determinants of Public Enterprise Performance. *Finance and Development*, 24 (4).
- Cole, G.A. (1998). *Strategic Management Academy of Management Journal*. 2 (2). Kalu. K.I. (1999, December 29). Modalities for Privatization of State Enterprises. *The Guardian*. Minitzberg, H. (1978). Patterns in Strategy Formulation. *Management Science*, 24 pp 934 • - 48. Nwachukwu, C.C. (1998). *The Practice of Entrepreneurship in Nigeria*. Onitsha: Africana Feb.
- Ogunsiji, A.S. (2002). The Practice and Impact of Strategic Management on Small-Scale Industry Performance in Oyo State. *Unpublished Ph.D. Thesis LAUTECH*. Ogbomoso.
- Ogunsiji, A.S. (2004). Strategic Management in the Hand of an Excellent Manager Will Improve Productivity; But What Won't? A Discourse. *Journal of Socio-Economic Development and Strategic Studies* 1 (1).
- Roger, C. Swanson (1995). *The Quality Improvement Handbook, Team Guide to Tools and Techniques*. Kogan Pub.