Effect of Strategic Management on SMEs Long Term Sustainability: Study of Selected SMEs in Lagos

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Abstract
The study examined the effects of strategic management on small and medium enterprises in Lagos State .With sudden closure of several SMEs between the first to the third stage of their existence, SMEs continuous death has negatively affected the entrepreneurs, growing economy, skyrocketed unemployment rate and dwindled revenue. In other to get this study achieved, a survey research design was employed while 382 SMEs for the study were selected randomly among the 8395 SMEs in Lagos State. A well validated questionnaire was employed for the extraction of information from the respondents. The data were analysed with regression analyses and EViews econometric package. The study found that strategic analysis positively influences SMEs revenue, also strategy formulation positively affects SMEs competitive advantage and that strategy implementation enhances SMEs profitability. The study recommended that SMEs operators and owners should incorporate strategic management practices into their activities so that better revenue can be realised, profitability generated, and competitive advantage sustained for the long term
Keywords: *strategic management, entrepreneurship, SMEs, competitive advantage, long term.*

Introduction

The dynamic nature of competitive situations in recent times, as a result of customer preferences, turbulent market situations due to more operators within the industry, sudden change in government policies and global market trends have created turf and unbalance market situations for SMEs across the boundaries. Thus, requires SMEs to double their efforts so that they can survive the current trend, maintain and enhance their market and general performance.

Considering the current scenarios, achieving and sustaining better results by SMEs need serious environmental auditing and analysis, and that is why it was suggested that SMEs operators should imbibe and implement strategic management practices (Sirajuddin, Muhammad & Muhammad, 2017). Odame (2007) views strategic management as a method of formulating and executing long-term plans widely and flexibly to achieve organizational goals. The main issues in strategic management practices is to provide answers to these questions of how futuristic is the current business, what hope does it has, what are the future business opportunities that can be exploited, and what are the likely modification that may occur in the business environment (Huang, 2006). All towards ensuring the long term viability of the business and its sustenance. SMEs need to maintain and improve their achievement and performances by strategically planning for the future and implementing from now and of course with control measures. However, the practice of strategic management aids this long term preparation and achievement of strategic intents. The uniqueness and importance of small and medium scale enterprises to a developing nation like Nigeria is enormous because Nigeria is blessed with untapped minerals resources and there are population to patronize any developed products. Though, the country is dominated by small and medium scale enterprises in agricultural, construction, manufacturing, commerce and industry, services, trading, etc., Small and Medium Scale Enterprises (SMEs) has not really played the key roles identified with SMEs globally as a significant and an engine room for economic development. Statistics as shown that SMEs contribute over 55% of gross domestic product (GDP) and over 65% of total employment in developed economies and it also play a significant role by contributing 60% of GDP and over 70% of total employment in developing economies (Small and Medium Scale Enterprises Development Agency of Nigeria, 2012). Therefore, encouraging, supporting and ensuring the continuous survival of these businesses is paramount and their long term sustainability can be ensured by meticulously integrating and injecting principles of strategic management into their operations towards attaining the long term plan and achieving a sustainable competitive advantage.

Strategic management may help SMEs plan for the future and make overall direction for the business realised by ensuring it continuous operations, survival and help increased present and future sales and profitability. Strategic management is linked to long term performance and sustainability of firms through the development and execution of plans that will drive and support the future aspiration and vision of any firm to realise it predetermined objectives and remain in business, (Kasmi, 2008). David & David (2016), link some key components of strategic management like environmental analysis, corporate mission setting, strategy formulation, strategy execution, strategy evaluation and control as essentials of attaining long term planning. O'regan & Ghobadian (2004) identify variables of strategic management to include, the company's long-term outlook and line up different types of business to ensure that right strategies are developed and applied to the company based on the environmental situations and conditions. This implies that the right strategy can enhance organization to take advantage of emerging opportunities and minimize the threat posed by unstable political and market environment. Small and medium scale enterprises (SMEs) cannot exempt itself from environmental situations and conditions that has overtime created unbalance situations to large organizations. As such, SMEs now confronted with the same scenarios of emergence of high technology coupled with trend in globalised market and other external environment variables compound the situation (Abosede, Obasan & Alese, 2016). The SMEs owners and operators are confronted with turbulent situations that can make or mar any organisation except the firms are abreast of the information and plan properly to avoid any damage that may come from the external environment through environmental auditing and execution of strategic plans as developed in order to cope with any occurring situations as emerged (Wheelen & Hunger, 1995).

Strategic management is seen to have provided an overall direction to the enterprise and business, and involves in specifying the organization's objectives, developing long-term policies and plans designed to achieve these objectives, and then allocate the available resources to execute the plans as a requisite for management practice so as to achieve long term sustainability for SMEs and big organisations, (Thompson & Strickland, 2001). The unique nature of strategic management not only make it important for big organisations to use but necessary for SMEs too to adapt and imbibe the culture of setting future direction and long term sustainability for their firms so as to remain relevant. Thus, strategy plays an important role in ensuring that firms achieve long term sustainable competitive advantage for their firms in recent times, prior to this era, only large firms are seen to be adopting strategic management practices in their operation so as to guarantee their sustainability and minimise any threat that might affect it operations the environment, (Agwu, 2018). Though these practices, as acknowledged in Kraja & Osmani (2013), are often believed to be seriously needed only by giant firms, recent studies have indicated that every organization needs to be strategic whether large or small, in order to succeed and attain a competitive advantage in the turbulent and complex environment. Firms therefore need to be strategic in their daily operations so that they can cope with the competitiveness that may affect their business activities. Therefore, it is important for firms to be proactive and continuously audit their environment in order to be abreast of information that will help them capitalise on the strength to take advantage of the opportunities and neutralizes the threat that may come the way of the firm.

Statement of Problem

Small businesses are initiated like giant firms to cover several gaps of providing services to the teeming population, make a return and contribute to national development through job creation and payment of tax. Achieving and sustaining the purpose of creation has been a night mire as several SMEs have died between the first and third stages of their existence. Though, several factors like unstable government policies, lack of fund and political instability among other factors have been established.

However, intention and road map created for these SMEs are yet to be examined as most initiators did not laid down a clear blue print that will drive the firms beyond certain stage in life. This disconnect between the intention of manager and long survival of the business remain unobserved. The complex and turbulent nature of operating environment suggests strict auditing of the firms operating environment, develop both short and long term template and put appropriate method for implementing the initiated ideas in line with the reality in the business environment. The short fall in long term planning system and setting a strategic long term road map may unconnected lead to frustration and easy collapse of this firms. These intents and goals of small business managers to keep performing wonderfully well is not what actually happen in reality due to competition. This amount to increase in the failure rate of SMEs in Nigeria which is at alarming rate. Therefore, connecting long term sustainability of increasing profits and business survival to initiating and implementing strategic management practices by SMEs cannot be ignored. However, marrying strategy to SMEs so that they can achieve strategic positioning and goals for the long term survival of the business is becoming a problem for small scale businesses as they are not used to planning long term but short term. Accordingly, SME owners/managers have been accused of being strategically myopic and lacking the long-term vision as to where their company is heading to, and how to get there (Mazzarol, 2004). The concern is that by neglecting strategic management, SMEs may not attain their full potentials and performance, and their survival could be placed at risk (Berry, 1998). Therefore, there is a need to look into the effect of strategic management in the long term sustainability of small scale businesses.

Research Objectives

The main reason behind this research work is to examine the effects of strategic management on SMEs long term sustainability in selected SMEs in Lagos.
The specific objectives are:

i. To identify how strategic analysis influences SMEs sales revenue
ii. To examine the effect of strategy formulation on SMEs competitive advantage
iii. To identify how strategy implementation and control influences SMEs profitability

Research Questions

Therefore, this research study needs answers to these questions:

i. Does strategic analysis influence SMEs sales revenue?
ii. Does strategy formulation affect SMEs competitive advantage?
iii. How does strategy implementation and control influence SMEs profitability?

Research Hypotheses

Ho1: Strategic analysis does not influence SMEs sales revenue

Ho2: Strategy formulation does not significantly affect SMEs competitive advantage

Ho3: Strategy implementation and control does not influence SMEs profitability

Literature Review

Strategic Management

Strategic management reflects the setting of long-term organisational goals and the development that will sustain the SMEs in meeting the set goals (Aremu & Oyinloye, 2014). Strategic management is seen as the set of decisions and actions that result in the formulation, implementation and control of plans designed to achieve an organisations vision, mission, corporate objectives within the business and market environment where it is situated (Pearce & Robinson, 2005). David & David (2016), acknowledge the fundamental variables of strategic management that includes environmental analysis, corporate mission setting, strategy formulation, strategy execution, strategy evaluation and control which are essential for long term planning. O'regan & Ghobadian (2004) also observe that key aspects of strategic management may involve the company's long-term outlook, and defining the line of business to ensure the right strategy is applied to the company based on the situations within the business environment. Strategic management is adjudge to have some elements with which enterprises can develop sustainable competitive advantages through the creation of value (Ramachandran et al., 2006). Strategic management requires setting objectives, analysing the competitive and internal organization environment, evaluating strategies, and ensuring that management rolls out the strategies based on the organizational intents across the boundaries. Thompson & Strickland, (2002) submit that strategic management provides overall direction to the enterprise and involves specifying the organization's objectives, developing long-term policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. Strategic management thus, found to be a veritable tool in improving firms' competitiveness, performance level and structural development (Makanga & Paul, 2017).

Strategic Analysis

Strategic analysis is the evaluation of environmental variables needed to know the organisation's strength, weakness, opportunity and threat that may make or mar the operations of any organisations. It can also be examined as the process of conducting a research study on a company and its operating environment to formulate a strategy. Strategic analysis is majorly concerned with the process of making an enquiry about the business environment within which an organisation conduct her operations and on the organisation itself, in order to formulate appropriate strategy (BNET Business Directory, 2007). Strategic analysis is a segment of the overall management process which was designed with an intention of knowing firms position, to examine the dictate of the environment and what firm is confronted with and how it can be affected. Aguoru, Umogbaai & Ozowa, (2016) opine that firm's strengths and weaknesses with respects to the happenings and the feelings of the stakeholders need to be evaluated. Strategic analysis helps firms to paint a clear picture of the variables which affects firm's internal and external operations and prepare the pattern of choosing the strategic choice that can fit into the overall strategic management activities (Griffins, 2006). Worrall, (1998) note that strategic analysis explains the theoretically informed understanding of the environment in which an organisation is operating, together with an understanding of the organisation's interaction with its environment in order to improve organisational efficiency and effectiveness by increasing the organisation's capacity to deploy and redeploy its resources appropriately.

Strategy Formulation

Strategic management focuses on creating and sustaining superior performance. A well-crafted strategy helps organisations achieved long term sustainable competitive advantage. Strategy formulation involves articulating the organization's vision, mission and corporate philosophy as well as its corporate objectives and long – term goals through identification of alternative strategies at different organisational levels and assessing the attractiveness of different possible strategies in terms by specifying suitable criteria and standards and selecting the unique ways of considering the most appropriate strategy for execution, Oyedijo, (2004). This action is become important for firms to be successful in their drive to achieve competitiveness in the industry or market where it operates. These activities however, provides design and pattern that will enhance and support the anticipated results realised. Strategy formulation variables involve strategic direction, strategic options and strategic choice that will help firms extract the information needed to meet environmental challenges and to help prepare for any possible changes that may occur. David, (2011) points out that strategy formulation decisions commit an organisation to specific resources, products, technologies and markets over an extended period of times. Strategy formulation activities enable firms to match internal strength and weaknesses with external opportunities and threats so as to realise strategic intent.

Strategy Implementation and Control

This explains how ideas initiated are put into action so that possible intended strategy becomes realised. Strategy implementation is an action driven method required to turn and translate a selected strategy into an action so as to achieve the predetermined objectives of the organisation. It is however, involves the introduction and activation of the formulated strategy into an organizational objectives (Aguoru, Umogbai, & Ozowa, 2018). Because of tedious nature of carrying out strategic analysis, business managers take longer period developing and formulating strategies that are in the best interest of realizing the organizational predetermined objectives, and this complex method of assessing and selecting the best available options before arriving at the stage of implementing becomes more confusing and difficult to achieve, and this affects implementation (Aguoru, Umogbai, & Ozowa, 2018). Implementation of strategies take a lot of rigorous exercise and energy from the management because of factors involve in execution which may slow down the execution (Adeoye, 2015). Therefore, at this point of execution, the management must be ready to influence, engage resistors and enforce the formulated strategies (Akingbade, 2014). Oyedijo, (2004) identifies variables that are needed to get strategy well implemented; putting appropriate structure and culture in place, good leadership and motivation, and resource availability. Meanwhile, Ansoh et al. (2001) also state some factors inducing the proper implementation of strategies to include, lack of accountability, inadequate instructions to employees, culture, and power and influence. Alamutu et al. (2012) argue that strategy implementation creates a link between strategy formulation and expected outcomes. It has been suggested that the successful execution of organizational strategies could boost organizational performance and reduce cost thereby improving the quality of its services.

SMEs Long-term Sustainability

Sustainability is seen as a way of doing what we make organisation meeting it present needs without abandoning the future intention of organisation to meet its future objectives. Achieving this requires examining the environmental, human, and social impact that will make organisations achieve their long term dream, rather than concentrating on short term gains or loss. To be sustainable, SMEs must generate revenue and make profit and ensure that all required steps such as complying with business regulations, ensure proper risk management and better governance system are adhered to. Through compliance, Long-term sustainability of making organisation's staying ahead can be achieved. So, a clearer knowledge of competitive situations will help in designing a systematic method useful to get that achieved and maintained.

The concept of sustainability evolved from sustainable development (Lang & Murphy, 2014). 'Sustainability' has been widely discussed as a general term connected to different methodologies, concepts, issues, techniques and ways of thinking (Isada & Isada, 2015). The concept is complex and it remains theoretical and abstract leading to various research proposing different definitions depending on how it was approached and perceived (Lozano, 2008; Barkemeyer et al., 2014; Owens & Legere, 2015; Owens & Legere, 2015; Ratiu & Anderson, 2015). There is no consensus definition of sustainability which makes the concept an ill-defined term (Galpin & Hebard, 2015; Barkemeyer et al., 2014; Owens & Legere, 2015). The inability to have a unified definition of sustainability makes the concept a theoretical and abstract one (Jabareen, 2008). Borim-de-Souza et al. (2015) caution the existence of characteristic differentials of the term depending on who, how and why the terms are analyzed. Sustainability can be seen as the ability to maintain an activity and result at a certain rate or level. The ability to exist consistently, constantly and how businesses have to exist perpetually. Sustainability has much impact on the development of managerial strategies that enhances the future of any organisations. The future of the organisation is faced with challenges due to the simple fact that the business environment is turbulent and influenced by several external forces such as the political, legal, economic, demographic and socio-cultural environment. For sustainability to be identified in organisations, following variables must be felt; innovation, reputation, quality, customer responsiveness and efficiency among others. Business sustainability is the inclusion of financial, environmental and social concerns into business decisions. Sustainable companies: Create long-term financial value; knowing how their actions will affect the environment and actively work to reduce their impacts; Care about their employees, customers and communities and work to make positive social change.

SMEs understanding of these three elements are intimately connected to each other operational success. Most SMEs focused on short-term profits and their decisions are solely based on the bottom line approach but sustainable companies think long-term. As a result, sustainable companies are enduring, surviving major shocks like global recessions, worker strikes, executive scandals and boycotts by environmental activists among other vices.

Theoretical framework

Contingency Theory

This theory suggests that organisations need to develop managerial strategy based on the situations and conditions they find themselves, (Ahmed & Mukhongo, 2017). A contingency approach to management is based on the notion that strategic managers should be contingent, or dependent, upon the interplay between the application of management behaviours and specific external environmental situations. In other words, the action to be taken by managers should be based on the dictate of external environment and situation at hand. In this, there is no one best approach to problem solving, as such, one method does not fit all situations. Therefore, the contingency approach holds that universal solutions and principles cannot be applied to organizations the same way. The contingency theory suggests that what managers do in practice depends on, or is contingent upon, a given set of circumstances and situations. Contingency theory is an organizational theory that explains that there is no one best way to plan, to organize, to staff, to coordinate, to control, or to make decisions, rather the best way depends on the situations been confronted by strategic managers. The optimal course of action in organisations according to this approach, is contingent (dependent) upon the internal and external situations. A contingent leader effectively applies different style of leadership to the situation.

Resource-Based Theory

This theory assumes that each organisation is a collection of unique resources and capabilities that provide the basis for its strategy and are the primary source of its returns. The development of a strategy should begin with an evaluation of the firm's distinctive capabilities. This suggests that differences in firms' performances across time are driven majorly by organisation’s unique resources and capabilities. This indicates that firms are collection of capabilities and resources. Resource-based model is of the opinion that a firm's-internal environment, in terms of its resources and capabilities, is more important to the determination of strategic actions than is the external environment. Barley, (1995) argues that not all of a firm's resources and capabilities have the potential to be the basis for competitive advantage but the potential is realised when resources and capabilities are valuable, rare, costly to imitate, and non-substitutable. These resources and capabilities are made up of internal tangible and intangible assets. The theory is based on the premise that resources are not homogenous and are limited in mobility. Firm will translate these resources and capabilities into unique status that are rare, not imitable, valuable, and firm must put structure in place to exploit these resources. The proponents of the resourced based theory are of the view that business organizations should not go too far but look within itself for competitive edge over competitors rather than looking outside the firm for competitive edge. Resources to an organization refers to all of the available components it has and use in survival in the business environment or market place such as information, fund, employees, equipment etc. It is essential for an organisation to have enough internal resources to help solve organisational problems uniquely (West and Farr, 1999). The researcher made use of these theories because they are relevant to the subject of discussion and help organisations achieve competitive edge in the market place.

3.0 Methodology

3.1 Research Design

The study made use of survey research design with a quantitative approach. This approach described the theoretical and hypothetical constructs which answered the questions asked in the research study. The survey covered the three (3) senatorial Zones in Lagos Sate which include Lagos East, Lagos West and Lagos Central. The research design employed helped to examine the cause-effect relationship among the variables been studied.

3.2 Target Population and Size

The population of the study covered the owners of SMEs in Lagos State. According to the report released by the National Bureau of Statistics (NBS), three South-Western States in Nigeria have the highest number of Small and Medium Enterprises (SMEs) in the country. Lagos State being the Nigeria’s commercial hub, recorded the highest number of 8,395 (11.5%) out of the total of 73,021 SMEs in the country, followed by Oyo state having a total of 6,131 (8.4%) and then Osun State having a total of 3,007 (4.1%) (Bamidele, 2019). For this reason, Lagos State was selected for the study, thus, the population size was 8, 395.

3.3 Sample size and Sampling technique

The sample size in the statistical sense often represents the number of observations that is targeted for closer study, thus, the term "sample size" is typically denoted as *n* a positive integer. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. Thus, the researcher utilized the Taro-Yamane (1967) sample size determination formula in determining the sample size. Thus, a sample size of approximately 382 cases were selected. The simple random sampling technique was used to select the respondents to whom the copies of the questionnaire were distributed.

3.4 Research Instrument

The research instrument adopted for this study was a structured questionnaire. It was adopted to elicit primary data from the population of the study. It was carried out among the selected three hundred and eighty-two (382) SMEs owners to get the information required to carry out the research. The research instrument was administered using a simple sampling technique. The structured questionnaire divided into two sections. The first section of the questionnaire contained general questions relating to the respondents' bio-data information, while the second sections focused on information related to strategic analysis, strategic formulation, strategic implementation and control, SMEs sales revenue, SMEs competitive advantage, and SMEs profitability. The research instrument was structured in five (5) Likert scale measurement of 5 represent strongly agreed (SA), 4 - agreed (A), 3- undecided (U), 2 - disagreed (D), and 1 - strongly disagreed (SD).

3.5 Method of Data Analysis

The inferential analysis employed t-test in regression analyses to test the hypotheses. In other words, regression model was used to examine the cause-effect relationships among the variables under study. The statistical and econometric package, EViews, was used to conduct the test of hypotheses. Also, SPSS was used to conduct descriptive analysis alongside reliability test.

3.6 Reliability of the Research Instrument

The Cronbach Alpha was employed to test the reliability of the instrument.

Table 3.1-: Results of the Alpha test

S/N	VARIABLE	NO. OF ITEMS	COEFFICIENT ALPHA
1	Strategic analysis and sales revenue	**5**	**0.864**
2	Strategic formulation and competitive advantage	**4**	**0.715**
3	Strategic implementation and control and profitability	**5**	**0.738**

Source: *Author's computation using SPSS, 2020*

The test of reliability measures the internal consistency of the measurement scales of the items of each of the variables for primary data analysis. Table 3.1 presents the Cronbach's alpha result. The coefficients of the cronbach's alpha of the variables; Strategic analysis and sales revenue, Strategic formulation and competitive advantage, and Strategic implementation and control and profitability are 0.864, 0.715 and 0.738 respectively. Thus, since each of the coefficients lies between 0.7 and 1.00, this is an indicator of consistency that the responses measure the same characteristics of the same constructs such as; Strategic analysis and sales revenue, Strategic formulation and competitive advantage, and Strategic implementation and control and profitability. Therefore, there is consistency in the measurement scales given by responses. This implies that 86.4%, 71.5% and 73.8% of variance in these scores of the variables respectively is reliable.

4.0 Data Analysis and Results

4.1 Hypothesis I

H_0: Strategic analysis does not influence SMEs sales revenue

The regression model is specified as follows with ***SMEs sales revenue*** as the ***dependent variable*** and ***Strategic analysis*** as the ***independent variable***:

$$SMESR = f(SA)$$

The regression model is stated as follows:

$$SMESR_i = \beta_0 + \beta_1 SA_i + v_i$$

Where ***SMESR*** = *SMEs sales revenue*

SA = *Strategic analysis*

v = error term

β_0 = constant intercept

β_1 = slope coefficient

Table 4.2: Estimated regression Model for Hypothesis I

Dependent Variable: **SMESR**
Method: Least Squares
Sample: 382
Included observations: 382

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.548194	0.191930	8.066444	0.0000
SA	0.617020	0.046667	13.22184	0.0000
R-squared	0.315090	F-statistic		174.8171
Adjusted R-squared	0.313287	Prob(F-statistic)		0.000000

Source: *Author's computation using Eviews, 2020*

Table 4.2 shows the estimated coefficients relating to hypothesis one. As shown in the table, strategic analysis (***SA***) exacts positively significant influence (β_1 = 0.617; p-value (0.0000) < 0.01) on SMEs sales revenue (***SMESR***). Thus, this indicates the rejection of the null hypothesis that strategic analysis does not influence SMEs sales revenue. The result also revealed that strategic analysis (***SA***) accounts for about 31.51% of the variation in ***SMESR***. It is also revealed that strategic analysis (***SA***) is a significant predictor (F (174.82), p (0.0000) < 0.01) of SMEs sales revenue in Lagos State.

4.2 Hypothesis II

H_0: Strategy formulation does not significantly affect SMEs competitive advantage

The regression model is specified as follows with ***SMEs competitive advantage*** as the ***dependent variable*** and ***Strategy formulation*** as the ***independent variable***:

$$SMECA = f(SF)$$

The regression model is stated as follows:

$$SMECA_i = \alpha_0 + \alpha_1 SF_i + u_i$$

Where ***SMECA*** = *SMEs competitive advantage*

SA = *Strategic formulation*

u = error term

α_0 = constant intercept

α_1 = slope coefficient

Table 4.3: Estimated regression Model for Hypothesis II

Dependent Variable: **SMECA**
Method: Least Squares
Sample: 382
Included observations: 382

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.980461	0.182594	10.84624	0.0000
SF	0.547566	0.043993	12.44659	0.0000
R-squared	0.289610	F-statistic		154.9176
Adjusted R-squared	0.287741	Prob(F-statistic)		0.000000

Source: *Author's computation using Eviews, 2020*

Table 4.3 shows the estimated coefficients relating to hypothesis one. As shown in the table, strategic formulation (***SF***) exacts positively significant effect (α_1 = 0.548; p-value (0.0000) < 0.01) on SMEs competitive advantage (***SMECA***). Thus, this indicates the rejection of the null hypothesis that strategy formulation does not significantly affect SMEs competitive advantage. The result also revealed that strategic formulation (***SF***) accounts for about 28.96% of the variation in ***SMECA***. More importantly, strategic formulation (***SF***) is a significant predictor (F (154.92), p (0.0000) < 0.01) of SMEs competitive advantage (***SMECA***) in Lagos State.

4.3 Hypothesis III

H_0: Strategy implementation and control does not influence SMEs profitability

The regression model is specified as follows with ***SMEs profitability*** as the ***dependent variable*** and ***Strategy implementation and control*** as the ***independent variable***:

$$SMEP = f(SIC)$$

The regression model is stated as follows:

$$SMEP_i = \lambda_0 + \lambda_1 SF_i + u_i$$

Where ***SMEP*** = *SMEs profitability*

SIC = *Strategic implementation and control*

u = error term

λ_0 = constant intercept

λ_1 = slope coefficient

Table 4.4: Estimated regression Model for Hypothesis III

Dependent Variable: **SMEP**
Method: Least Squares
Sample: 382
Included observations: 382

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.509826	0.158960	9.498122	0.0000
SIC	0.647278	0.038650	16.74702	0.0000
R-squared	0.424646	F-statistic		280.4626
Adjusted R-squared	0.423132	Prob(F-statistic)		0.000000

Source: *Author's computation using Eviews, 2020*

Table 4.4 shows the estimated coefficients relating to hypothesis one. As shown in the table, strategy implementation and control (***SIC***) exacts positively significant effect (λ_1 = 0.647; p-value (0.0000) < 0.01) on SMEs profitability (***SMEP***). Thus, this indicates the rejection of the null hypothesis that strategy formulation does not significantly influence SMEs profitability. The result also revealed that strategy implementation and control (***SIC***) accounts for about 42.46% of the variation in ***SMEP***. More importantly, strategy implementation and control (***SIC***) is a significant predictor (F (154.92), p (0.0000) < 0.01) of SMEs profitability (***SMEP***) in Lagos State.

Conclusions and Recommendations

This study has really provided an insight into the importance of strategic management to small and medium enterprises in Lagos. It was observed that SMEs operators do not really connect analysis of environment with strategy formulation and implementation, as such, the major issues of defining a vision and long term plan and get it realised was not achieved. Their inability to link strategic analysis and SMEs revenue is one of the setback that makes SMEs died prematurely. Though, most businesses do have a plan but most SMEs owners' conjunct data and rely on unverified information to formulate their plan without extensively evaluating the positive link between strategic formulation and competitive advantage which can be attained when plans are well articulated. The general assumption suggests that final stage of production lead to better return but studies have shown that, without implanting and imbibing culture and leadership that will provide motivation, realising better results will be a dream, as implementation and control enhance SMEs profitability in Lagos State.

This study has however, showed significantly the effect of strategic management practices on Small and Medium Enterprises in Lagos. SMEs owners need to imbibe the culture of comprehensively integrating strategic management practices into SMEs operations so that better revenue can be generated, profitability assured and competitive advantage sustained over a long period. Hence, SMEs operators and owners should imbibe the culture of stating long term objective and develop a template to get it achieved.

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