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## Article

# Survival strategies and sustainability of small and medium enterprises in a volatile environment

Management dynamics in the knowledge economy

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## **Survival Strategies and Sustainability of Small and Medium Enterprises in a Volatile Environment**

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**Abstract.** *Small and medium enterprises (SMEs) have been considered as one of the engines of economic growth, sustainability, and industrial development of a nation, however, the survival rate of SMEs in Nigeria has been seriously affected by the volatile environment in which they operate. The use of survival strategies has also been one of the major challenges facing the business since most people believe that strategies are only meant for large and multinational companies. This study, therefore, examines the survival strategies and sustainability of small and medium enterprises in a volatile business environment using a quantitative approach. The data were administered through a questionnaire to 350 respondents from small and medium enterprises in Lagos State, Nigeria. The questionnaire was analyzed with the use of the Structural Equation Model. The results reveal that there is a significant and positive relationship between survival strategies and sustainability of small and medium scale enterprises in Nigeria.*

**Keywords:** *survival strategy; sustainability; small and medium enterprises; volatile business environment.*

### **Introduction**

Small and Medium Enterprises (SMEs) have been considered as one of the engines of economic growth, sustainability and industrial development of a nation. Although, SMEs are individually small in size and in economic power; they collectively constitute an important part of GDP; as such they are commonly characterized as the backbone of all economies (Muller, Devnani, Julius, Gasliardi, & Marzorch, 2016). However, this has not been the case in most developing countries like Nigeria due to the adverse effect of the volatile business environment amidst other factors. The environment of any business which could either be stable or turbulent determines its success or failure, but in most cases business environments are turbulent. Rapid development in terms of information and communication technologies, competition, constant political changes can make the environment turbulent for business activities. In an attempt to survive in this kind of environment, an organization tends to consider the strategic decision that can enhance their sustainability.

Bowen, Morara, and Mureithi (2009) opine that three out of five established SMEs collapse in the first five years of their establishment due to the volatile environmental conditions. Appiah, Pesakovic, and Amaria (2008) argue that many SMEs have failed due to their inability to embrace strategic management in their business. In the opinion of Motwain, Mirchandani, Madan, and Gunasekaran (2008), most SME managers lack adequate knowledge in the areas of strategic planning techniques, methodology, and implementation. Hörisch, Johnson, and Schaltegger (2014) also support this opinion by arguing that most SMEs are confronted with varying problems that deter their sustainability and one major cause is knowledge, which hinders the appropriateness of suitable corporate sustainability strategies. This was borne out of the fact that the majority of the SMEs lack adequate knowledge of the positive impact of strategies vis-a-vis strategic planning on the survival of their businesses (Argon-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008).

Arena and Azzone (2012) posit that the major challenges encountered by SMEs are ensuring sustainability in their businesses. This then tends to endanger their survival and sustainability in their respective volatile environment. It is assumed that most SMEs see strategy management as a business of large and multi-national companies. In line with this, Small and medium scale enterprises have received little or no attention by researchers in the area of sustainability due to their size (Hörisch, Johnson, & Schaltegger, 2014; Williams & Schaefer, 2013; Bos-Brouwers, 2010; Revell, Stokes, & Chen, 2009).

The majority of the authors believed that the success of any organization is contingent upon its choice of strategy and for any SMEs to attain sustainability it is expected they embrace competitive strategies, however, there has been a great debate on whether SMEs needed competitive strategies for sustainability in their turbulent environment. Porter (1996) posits that organizational uniqueness is bonded with its ability to possess a basic understanding of the environment and the appropriate use of strategies to attain sustainability and competitive advantage. It should be noted that strategy is situational-based, and an organization must understand its business environment, organizational characteristics, and strategies to attain effectiveness and efficiency in its business operations. Parnell (2010) argued that the precondition for business sustainability is its ability to maneuver its strategies to gain a competitive advantage in its business environment. Porter (1980) opined that organization should be consistent with its strategies in order to avoid “stuck in the middle”; this is borne out of the inability of an organization to make a strategic choice and compete in its environment; that even a poor strategy is better than not making any strategic decision. He further uses the term generic strategy to explain the strategic options opened to the organization to attain sustainability. This he divided into three; cost leadership, differentiation and focus strategy.

Porter opined that an organization can either follow cost leadership or differentiation strategy to attain a competitive advantage in its environment, this he termed as pure strategy and with this such an organization will perform above average in its industry; this invariably guarantees its sustainability. He further claimed that though combining cost leadership or differentiation strategy tends to be incompatible due to their varying demands, however, an organization can adopt either of the strategies and make another strategic choice to operate in a broad market or focus a particular market (focus strategy). This invariably implies that an organization can either follow a cost leadership

or differentiation in a broad or focus market segment, this is applicable to any kind of firm either small, large or multinational organization (Porter, 1980).

An organization must embark on competitive strategies to survive in its business environment and adhering to a single strategy could be hazardous to the sustainability of a business. This was supported by D'Amborise (1993), stating that when an organization combines different strategies, they tend to perform better than when they embark on pure strategy. This invariably means that an organization must adopt a survival strategy to sustain itself in its turbulent environment.

Consequently, this research work, therefore, intends to examine the implication of survival strategies on the sustainability of small and medium scale enterprises in a volatile environment.

### ***Statement of the problem***

Attaining sustainability has been the major objective of any organization be it small, medium or large in the area of profit, people and the planet but this has not always been the case of many small and medium enterprises due to its volatile environment and the appropriateness of sustainable strategies to adopt for their survival. Nigeria as a country is characterized by an unstable and turbulent business environment which in turn influences the success of non-subsidiary independent firms (small and medium enterprises) and as well marred its main objective of ensuring the socio-economic growth of the country. Eneh (2010) opines that three (3) out of any four (4) micro, small and medium scale enterprises fail to exist, while nine (9) out of ten (10) willing businessmen are scared to embark on establishing business as a result of impending treat of the unstable environment and other factors. The survival rate of a growing business in Nigeria is pegged at 20% borne out of a lack of appropriate strategies for its sustainability.

Another major problem of SMEs is their inability to come up with sustainable innovation programs as well as identifying those factors and barriers that hinder their survival in their immediate environment, this invariably affect the appropriateness of their corporate strategies (Jansson, Nilsson, Modig, & Vall, 2017; Revell, Stokes, & Chen, 2009). In the same vein, the majority of the existing SMEs do not embark on strategies that ensure their sustainability in their environment. Although, the major cause of this is the inability of the SMEs to distinguish between the long-term and short-term conflicts vis-a-vis its effects on the sustainability of the organization (Bos-Brouwers, 2010).

In line with the above, there has been a consistent failing rate of survival of SMEs in Nigeria due to insufficient knowledge of survival strategies to adopt for their sustainability in a turbulent environment which invariably defeated the main objective of SMEs to any nation. However, researchers noted that SMEs had received little or no attention with respect to sustainability, the attention has been more on large and multinational companies despite its huge contribution to the economic GDP growth of the nation (Revell, Stokes, & Chen, 2009).

Therefore, an organization needs to build managerial competencies in order to be able to compete aggressively in its industry and thereby devise a winning strategy that will contrive superior organizational performance.

## **Hypotheses and conceptual framework**

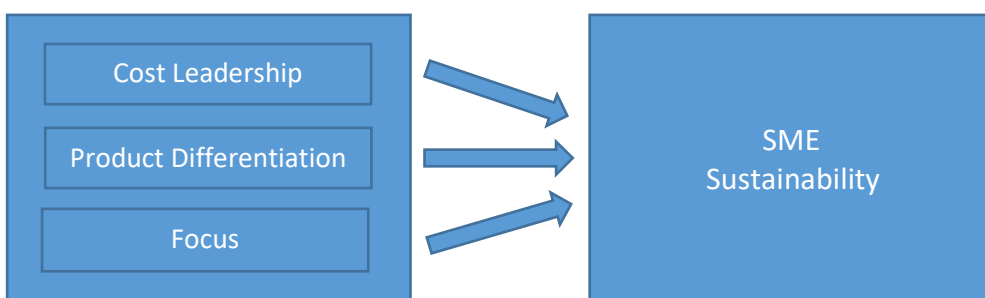
### ***Hypotheses***

Ho1: Cost leadership strategy has no significant influence on the sustainability of SMEs.

Ho2: Product differentiation has no significant effect on the sustainability of SMEs.

Ho3: Cost focus strategy has no significant effect on the sustainability of SMEs.

Ho4: Combination of strategies has no significant effect on the sustainability of SMEs.



**Figure 1. Conceptual framework**

### ***Theoretical framework and literature review***

The research work is underpinned by the following theories: Resource-based theory, survival base theory and the strategic choice theory.

#### ***Survival Base Theory***

This theory believes that an organization needs to survive in its environment and therefore understanding the environment is an integral part of success as well as the need to appreciate the appropriate strategy to adopt for survival, hence its extinction amidst other competitors. Managers must ensure innovation both internally and externally to ensure its sustainability amidst all forms of uncertainties. It is very important that organization study and understands the competitive nature of its environment in order to survive; this aid its ability to adopt a survival strategy for its sustainability. The business environment is characterized by continuous new thinking and a new way of acting, this implies that an organization must be innovative in thinking to ensure its survival in the ever-changing environment.

#### ***Resource-Based Theory***

This theory assumes that the resources and capabilities of an organization determine its performance and survival in the environment it resides (Barney, 1991). These resources could be tangible (examples of which are assets (physical) of the organization, financial capital) intangible this ranges from quality of the product, brand name as well of the image in respect to the brand) and personnel-based resources (technical know-how, knowledge assets) (Grant, 1991).

Russo and Fouts (1997) opine that the capability of an organization assists in the achievement of competitive advantage; which is also dependent on how the organization assembles, integrates and deploys its tangible, intangible and personnel resources in order to attain sustainable competitive advantage thereby ensuring its survival in its turbulent environment.

### *Strategic Choice Theory*

This theory maintained that organizations' decisions are targeted towards environmental changes to ensure their growth and survival (Child, 1972; Mellahi & Wilkinson, 2004). This theory tends to negate the view of population ecology theory that claimed that the survival of any organization is a determinant of its environmental factors and the ability of an individual organization to maintain its fit through its resources and capabilities (Hannan & Freeman, 1986). The population ecology theory lay emphasis on environmentalism neglecting the impact of proactive responses and strategy choice of a firm in solving its environmental conundrum (Astley & Van de Van, 1983). Strategy choice theory, therefore, claims that firms' strategies in solving any organizational problems should be appreciated through the efforts of the decision-makers (Peng & Heath, 1996; Pfeffer & Salancik, 2003). The strategy choice theorists believe that firms respond actively to their environment using appropriate strategies (Child, 1972).

### **Overview of small and medium scale enterprises in Nigeria**

Small and Medium Scale Enterprises (SMEs) are important economic boosters and a massive contributor to the industrial employment of any nation. SMEs have occupied a place of pride in the heart of every nation, thus have been regarded as the "production machine" and chemical agent for socio-economic change of any nation". In this regard, SMEs have been the major focus of many governments, different policies targeted towards enhancing and allowing the sustainability and development, as well as its performance, have been put in place, to ensure achievement of its targeted objectives. SMEs have been viewed differently by different nations, invariably there is no one definition for SMEs, a business that is classified as a large business in a developing country can be viewed as a small business in a developed nation, thus variations in definition. The National Council of Industry (2001) defines SMEs as a business enterprise whose total cost including working capital is fifty million or less (N50,000,000) with employees between eleven (11) and one hundred (100). Olabisi, Olagbemi, and Atere (2011) opine that SMEs are firms with working capital (with the exclusion of the cost of land) of seven hundred and fifty (N750,000) and a maximum number of employees totaling fifty (50). Obafemi Awolowo University, Ile-Ife Centre for Industrial Research and Development (CIRD) mentioned that for any business to be classified as small scale the working capital must not be less than two hundred and fifty thousand (N250,000) and the staff must not be less than fifty (50), they must be on permanent payroll. In 2005, the credit guiding principle to the commercial banks by the Central Bank of Nigeria (CBN) states that an enterprise is small if and only its annual sales is not greater than five hundred thousand nairas (N500,000). The National Policy on Micro Small and Medium Enterprises (MSMEs) sets the limits of very small-scale business at an annual sale not greater than five million (N5,000,000) (Mekwunye, 2018),

while Merchant Bank viewed it as an enterprise in which the amount for funding day to day operations is below two hundred million (N2,000,000).

### **Generic strategies**

There have been different views of scholars on the need for SMEs to develop strategies and the impact on the performance and survival of SMEs. Different questions creating varying controversies had been put up by scholars with respect to competitive strategies. For SMEs to be competitive in their industry it is essential they develop strategies that will guide their activities in the industry or they could as well build their potentials to adjust to different changes within the environment thereby gaining competitive advantages. They further noted that the environment is highly volatile, therefore developing a single strategy and sticking to it could affect the ability of any firm to compete effectively in the environment. Some researchers believe that mere optimizing an organization's productivity and maneuvers could have a greater impact on organizational financial performance (Zhang, Vonderembse, & Lim, 2003). Other researchers negated the above believe that for any organization to survive in its industry there should be a strategic commitment for a stipulated period, which will guarantee a sustainable competitive advantage (Parnell, 2010).

In the same vein, some researchers believe that choice of strategies has a greater influence on the survival of any organization, that a set of strategies can turn around an organization thereby attaining competitive advantage. Porter (1980) mentioned that organization will experience "stuck in the middle" when it mixes all the three strategies (cost leadership, differentiation, and focus), which depicts that such organization does not have any specific or defined strategy. This view was also supported by D' Amboise (1993). However, in recent time this view of stuck in the middle was criticized claiming that combination of strategies by organizations bring about competitive advantage (Miller & Dess, 1993) and this was termed as 'hybrid strategy' or 'mixed strategy' or 'combination strategy' or 'paradoxical strategy' (Caloghirou, Protogerou, Spanos, & Papagiannakis, 2004; Parnell, 2010; Thornhill & White, 2007). These researchers believe that when an organization combines its strategies it opens opportunities, thereby giving them the opportunity to compete effectively and attain competitive advantages. Although researches on these are few.

### ***Porter's generic strategies***

These are strategies adopted by the organization in order to gain advantages in their industry. These strategies were explained by Michael Porter and further divided into three. The strategies were used in gaining competitiveness and getting a greater market share compared to other competitors. These strategies are cost leadership strategy, differentiation strategy, and focus strategy. Porter (1980; 1985) argue that firms are open to two major competitive strategies, which are low cost and differentiation. An organization that follows any one of the two strategies is referred to as a pure strategic organization (Thornhill & White, 2007) and such an organization will achieve an above-average rating in its performance. Porter argued further that the pre-conditions for the two strategies differ as well as what an organization will invest to adopt either of the strategies. Such organization can also make a strategic choice of operating in either a general (broad) market or to concentrate on a specific segment of the market (focus

strategy); a process of carving a niche for itself, and still adopting any two of the low cost or differentiation strategy in the market he has decided to stay.

#### *Cost leadership and sustainability of small and medium enterprises*

This is one of the generic strategies and the attention of this strategy is directed towards attaining competitive advantage by ensuring the lowest cost in the industry (Bauer & Colgan, 2011). Cost leadership strategy could be achieved when an organization embarks on low-cost manufacturing, hire committed employees and outsource those activities that are devoid of cost advantage. Porter (2008) opines that cost leadership can be achieved when an organization embraces different ways of reducing its overhead cost and another associated cost in a bid to ensure low cost in the sales of its products.

#### ***Combination of strategies***

Different researchers have worked on the effect of a combination of strategies on the performance of an organization, they further looked at the appropriateness of combining cost leadership with differentiation strategies (examples Helms, Dibrell, & Wright, 1997; Parnell & Harsshey, 2005; Caloghirou, Protogerou, Spanos, & Papagiannakis, 2004; Thornhill & White, 2007). Porter (1985) opines that organizations that do not have a specific strategy will find itself 'stocked in the middle' and this will have a negative impact on its performance. He argued further that the organization that combines two or more strategies is definitely going to be stocked in the middle, which is combining low cost and differentiation strategies. In line with this, some researchers argued against its view that an organization can combine strategies in order to perform excellently in its industry as compared to an organization with only one strategy. Murray (1988) mentioned that all strategies have what determines it, as cost leadership is determined by organizations' structural factors while product differentiation is determined by customers' preferences and an organization can combine these two strategies for better performance and sustainability. Fjeldstad and Haanæs (2001) consider that a turbulent environment can result in changing strategies in order to attain sustainability. It was also noted by Anand and Ward (2004), Parnell and Harsshey (2005) that a combination of strategies can allow for strength and flexibility in an organization, which in turn brings about sustainability. Researchers have also introduced total quality management in explaining the positive impact of a combination of strategies (Reitsperger, Daniel, Tallman, & Chismar, 1993; Leonard & McAdam, 2001), the resource-based theory was also connected with a combination of strategies for its multiplier effects (Parnell, 2000). Also, innovation researchers mentioned the need for combination of strategies in improving their innovativeness and competitiveness, that combining low cost and differentiation in a situation when a new product is to be launched into a market grants the organization more opportunities and also allows for reduction in the cost of the products (Helm et al., 1997).

Helms et al. (1997) opine that SMEs that combine strategies will perform better than SMEs that adopt a pure strategy. Caloghirou, et al. (2004) claimed that hybrid strategies are far better and more profitable than pure strategies, and the former attains more sustainability than the latter. In contrast, Thornhill and White (2007) claim that firm that adopt pure strategies do perform better than SMEs that adopt combination of strategies while Wu, Lin, and Chen (2007) negate this view by proposing that SMEs that combine low cost and differentiation strategies will have higher profit in the industry,



even at the period of any turbulent environment (economic) unlike a pure strategy SMEs that would be faced with challenges during any economic downturn.

## **Methodology**

The study adopted quantitative research methods using descriptive research design and purposive sampling procedures. A constructed questionnaire was used in this study to find out the effect of Survival Strategies on Organizational Sustainability in small and medium scale enterprises. The Likert Scales, which is the most common and widely used scale was applied to this questionnaire

The population of this study was SMEs in Lagos State and due to the large population, a stratified random sampling technique was used to select the population as samples of the study. Three hundred and fifty (350) questionnaires were distributed in banks within the Lagos Mainland and Lagos Island axis. Two hundred and ninety-eight questionnaires were retrieved All the questionnaires were retrieved which depicts an 85% response rate. The data was analyzed using Structural Equation Model (SEM) technique with the aid of SPSS AMOS 22. The study employed the two-step approach by Anderson and Gerbing (1998), a measurement model was first carried out to ascertain the model fit, before the structural model which is was used to analyses the hypotheses of the study. The measurement model is imperative to ascertain if the observed variables of the latent variables measure the latent variables. Base on the model fit a structural model that entails the test of the study hypotheses will be analyzed.

To ascertain the model fit certain parameters, must be met. Some parameters such as the chi-square statistic, comparative fit index (CFI), Goodness fit index (GFI), Adjusted Goodness of fit index (AGFI), Standard root-mean-square residual (SRMR), Root-mean-square error of approximation (RMSEA) all in line with (Hu & Bentler, 1999)

## **Results and discussion of findings**

***Table 1. Demographic variables***

<b>Years of existence</b>	<b>Frequency</b>	<b>Percentage</b>
10 years & below	84	28.2
11-20 years	132	44.3
Above 20 years	82	27.5

The above table indicates that eighty-four (84) are below 10years, those above 20 years are eighty-two, while most of the organization are above 11-20 years. This shows that majority of the SMEs can sustain themselves in their industry adopting either pure or combination of strategies.

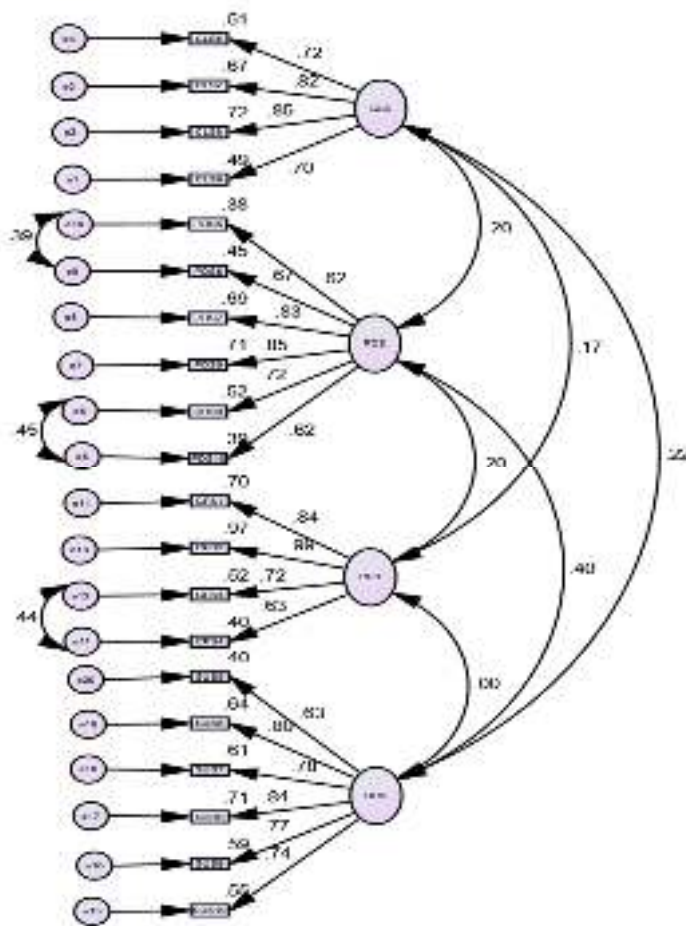
***Table 2. Firm characteristics***

<b>Size of firm</b>	<b>Frequency</b>	<b>Percentage %</b>
10-49	124	41.6
50-199	147	49.3
200 & Above	27	9.1

The above indicates that the majority of respondents for this research were from SMEs that employed 50-199 staff, with a value of 49.6%, while the category of SMEs that employed between 10-49 staff had a score of 41.6%. The remaining 9.1% was for SMEs that have 200 and above staff. This further shows that 90.2% of the SMEs used with Lagos Island and Lagos Mainland fell under the category of small and medium scale industry.

## Results

### Measurement model



Key: CLS: Cost Leader Strategy; PDS: Product Differentiation Strategy; CFS: Cost Focus Strategy; SUS: Sustainability

**Figure 2. Measurement model**

The measurement model shows the factor loading for each of the indicators of the latent variable. The model also shows the covariances amongst the latent variables. From the confirmatory factor analysis of the latent variables (cost leadership strategy, product differentiation strategy, cost focus strategy, and sustainability) tested. From the

observed variables of cost leadership strategy (CLS), six items were deleted. These are CLS1, CLS2, CLS3, CLS4, CLS5, CLS10. Also, from the observed variables of product differentiation strategy (PDS), four items were deleted. These items are PDS1, PDS2, PDS3, PDS4. Furthermore, from the observed variables of cost focus strategy (CFS), six items were deleted. These items are CFS5, CFS6, CFS7, CFS8, CFS9, CFS10. Finally, from the observed variables of sustainability (SUS), four items were deleted. These items are SUS1, SUS2, SUS3, SUS4. After the deletion of these items from each of the latent constructs and model fit was achieved as shown in the table below.

**Table 3. Latent constructs and model fit (Hu & Bentler, 1999)**

Measure	Threshold limit (Hu & Bentler, 1999)	Current study model
Chi-Square/df (cmin/df)	< 3 good; < 5 permissible	1.997
p-value	> .05	.000
CFI	>.90 good; > permissible	.951
GFI	>.95	.903
AGFI	>.80	.874
SRMR	<.09	.041
RMSEA	<.05 good; <.05-.10 moderate	.058

The measurement model indicates that the Chi-Square = 321.558; df. 161,  $p = 0.000$ , indicating that the likelihood of obtaining a discrepancy as large as 321.588 is 0.000, when the discrepancy obtained is divided by the degree of freedom (CMIN/df), the value of 1.997 is obtained. This value of CMIN/df is within the recommended threshold of < 3. Indicating a good model fit. In addition, a number of other established fit indexes need to be obtained as stated in Table 1, though Hu and Bentler (1999) opine that a model is deemed acceptable if it satisfies one of the two major conditions. That is the RMSEA is  $\leq 0.06$  and CFI  $> 0.95$  or the RMSEA is  $\leq 0.06$  and SRMR  $\leq 0.08$ . For this study model, these conditions were met. Based on the above table, the majority of the estimates were found to meet the threshold limit in line with Hu and Bentler (1999). Implying CFA for the study model is acceptable and that the theorized model fits well with the data collected for the study. Therefore, the need to validate the instruments, before testing the study hypotheses.

**Table 4. Composite Reliability, Convergent and Discriminant Validity**

	CR	AVE	MSV	SUS	CLS	PDS	CFS
<b>SUS</b>	0.892	0.582	0.158	<b>0.763</b>			
<b>CLS</b>	0.855	0.598	0.048	0.218	<b>0.773</b>		
<b>PDS</b>	0.873	0.535	0.158	0.398	0.203	<b>0.732</b>	
<b>CFS</b>	0.878	0.648	0.038	-0.001	0.166	0.196	<b>0.805</b>

**Key:** CR (Composite Reliability); AVE (Average Variance Extracted); MSV (Maximum Shared Variance); SUS (Sustainability); CLS (Cost Leadership Strategy); PDS (Product Differentiation Strategy); CFS (Cost Focus Strategy); Diagonal (Italics values) represents the square root of AVE; off-diagonal is inter-item correlation among constructs.

From the table, the CR of the study variables is above the recommended threshold of .70 in line with Fornell and Larker (1981). For sustainability the CR value is 0.892; for cost leadership strategy the CR value is 0.855; for product differentiation strategy; the CR

value is 0.873 while for cost focus strategy; the CR is 0.878. The result of the convergent validity of the latent variables, which measures how the indicators of the latent construct correlate with each other, reveals that the AVE for sustainability is 0.582, for cost leadership strategy is 0.598, for product differentiation strategy is 0.535, while for cost focus strategy is 0.648. indicating that the AVE for all the latent constructs of the study is above 0.5 (Fornell & Larker, 1981). While the discriminant validity which shows how indicators of each latent variables are unique was also valid; since the square root of the AVE as indicated by the diagonal value of each variable (sustainability 0.763, cost leader strategy 0.773, product differentiation strategy 0.732, and cost focus strategy 0.805) are all greater than the correlations of each variable. Thus, the reliability, convergent validity and discriminant validity for the study were confirmed. Based on the validity of the study instrument, the researcher proceeded and conducted the analysis for the study hypotheses.

### Structural model and hypotheses testing

To address the hypotheses of the study, the result of multiple regression revealed that cost leadership strategy had a positive significant influence on the sustainability of SMEs ( $\beta = 0.16$ ;  $p < 0.05$ ). the result of the second hypothesis revealed that product differentiation strategy had a positive significant influence on the sustainability of SME ( $\beta = 0.37$ ;  $p < 0.05$ ). the result of hypothesis three revealed that no significant relationship exists between cost focus strategy and sustainability ( $\beta = -0.12$ ;  $p > 0.05$ ). Furthermore, the R2 value indicates that 17% of the variance in the sustainability of SMEs is caused by cost leadership strategy, product differentiation strategy and cost focus strategy. The remaining 83% is accounted for by the unique factor e1 in the model.

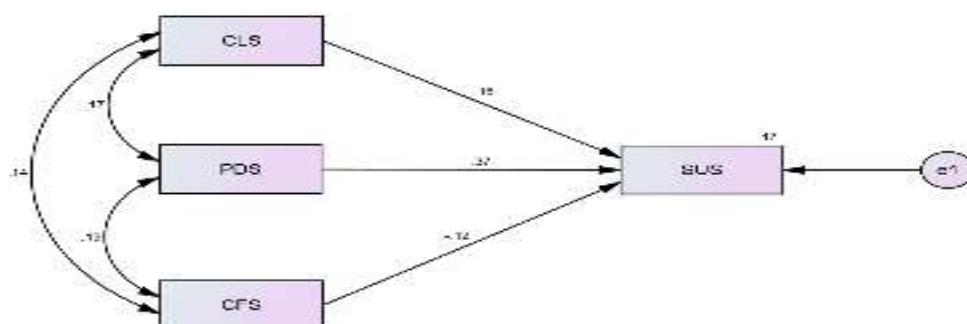


Figure 3. Structural model

Table 5. Regression weight of the study variables

			Estimate	S.E.	C.R.	P
SUS	<---	CLS	.186	.064	2.900	.004
SUS	<---	PDS	.341	.051	6.721	***
SUS	<---	CFS	-.145	.068	-2.122	.034

The result of the unstandardized regression weight revealed that the probability of getting a critical ratio of 2.900 is in the absolute value of 0.004. implying that the regression weight for cost leader focuses on the prediction sustainability is significantly

different from 0 at .004. similarly, the probability of getting a critical ratio of 6.721 is in the absolute value of 0.000. implying that the regression weight for product differentiation strategy in the prediction sustainability is significantly different from 0 at .000. Also, the probability of getting a critical ratio of -2.122 is in the absolute value of 0.034. implying that the regression weight for cost focus strategy in the prediction of sustainability is significantly different from 0 at .034.

**Table 6. Standardized regression weight**

			Estimate
SUS	<---	CLS	.157
SUS	<---	PDS	.366
SUS	<---	CFS	-.115

The result of table 6 shows that when a cost leader strategy increases by 1 standard deviation, sustainability will also increase by 0.157. Also, when a product differentiation strategy increases by 1 standard deviation, sustainability will also increase by 0.366. Furthermore, when a cost leader strategy increases by 1 standard deviation, sustainability will also increase by 0.115.

Furthermore, the result of the fourth hypothesis shows a significant positive influence of the survival strategy on the sustainability of SMEs ( $\beta = 0.52$ ;  $p > 0.05$ ). implying that the combined effect of the three strategies has a greater impact than when viewed individually. With an  $R^2$  value of 27% accounted for by the combined influence of the three strategies. While the remaining 73% was accounted for by the unique factor  $e_{21}$ .

**Table 7. Regression weight for the study**

			Estimate	S.E.	C.R.	P
SU	<---	SUSTRA	1.301	.398	3.270	.001
CL	<---	SUSTRA	1.000			
PD	<---	SUSTRA	1.652	.594	2.782	.005
CF	<---	SUSTRA	.567	.247	2.295	.022

**Table 8. Standardized regression weight of the study**

			Estimate
SU	<---	SUSTRA	.521
CL	<---	SUSTRA	.324
PD	<---	SUSTRA	.743
CF	<---	SUSTRA	.221

### **Discussion of findings**

The purpose of this research is to evaluate the research model encompassing CLS, PDS, CFS, and SUS in the small and medium scale enterprises in Lagos State. The result of the two-stage approach which includes CFA and SEM was used to validate the effect of CLS on SUS. Results indicated that there exists a positive impact of CLS on SUS. The effect of PDS on SUS indicated that there exists a positive impact of PDS on SUS if SMEs embarks on product differentiate it aids its ability to target different categories of customers in

respects to its products. In the same vein, the impact of CFS on SUS indicated that there exists a negative impact of CFS on SUS the study establishes that there is a non-significant negative relationship between CFS and SUS. On the combined effect of CLS, PDS, CFS on SUS, the result indicates there is a positive relationship amongst the variables which brings about competitive advantage to SMEs this is supported by Caloghirou, et al. (2004), Parnell and Hershey (2005), Thornhill and White (2007).

## **Conclusion**

This research work was able to contribute to the wealth of knowledge of survival strategies and sustainability of SMEs. As most people believed that SMEs are relatively small and the use of strategies in attaining sustainability may not be necessary or even if the need arises, they can only carve a niche in their respective market to attain sustainability due to huge of capital involved in the use of strategies, this was critically negated in this work. This work was able to establish that though SMEs are relatively small, they do embark on strategies that vary from cost leadership, product differentiation, as well as focus strategies and in some cases, combine two or more of these strategies in order to gain a competitive advantage in their industry.

This research work was able to prove that most of the SMEs that adopt either cost leadership or product differentiation tend to attain better performance and sustainability which is line with the view of Porter's (1980), who claimed that any organization that adopts either differentiation or cost leadership as a pure strategy will definitely achieve above average as well as Pelham (2000). This work was also able to prove that product differentiation had a greater impact than cost strategy, which negated the view of Moreno and Casllas (2008) that opined that cost leadership had a greater impact than differentiation. The focus (cost) showed a negatively insignificant effect on sustainability, which implies that for any firm to attain competitive advantage and sustainability in its industry the adoption of Focus as its main strategy is inappropriate. This is in line with the view of Porter (1980, 1985) that there exist only two major competitive strategies; differentiation and low cost, any firm that decides to adopt any of the pure strategies will in-turn achieve competitive advantage as well as sustainability. He further argued that such a firm will also need to make a strategic choice in terms of the market to operate, which could either be a broad or specific market. This further implies that a firm can follow a cost or differentiation strategy either in a broad or specific market. Although it is mainly believed that SMEs adopts focus strategy (Gibcus & Kemp, 2003) but this has been proven by this work that; for SMEs to be relevant in its market it must embark on differentiation strategy through the use of either product innovation or product quality on one side or the use of cost leadership strategy (Ebben & Johnson, 2005) and also on its strategic choice to back it up with focus strategy.

Furthermore, the use of a combination of strategies yielded a greater impact on organizational performance and sustainability as compared to the use of pure strategy, this negates the view of Porter. This work was able to prove that the use of strategies has gone beyond cost versus differentiation rather SMEs should embark a combination of strategies to gain a competitive advantage in its industry regardless of the environmental turbulence. This is in line with the view of Murray (1988), Anand and Ward (2004), Parnell and Hershey (2005) that combination strategy allows a firm to

maintain greater agility and flexibility in offering products that focus either more on cost or on a specific product feature.

In the same vein, most researchers had concentrated greater effort on large firm, or unable to distinguish the resultant effect of the use of combination of strategy on either large or small firms, but assumed that combination of strategy is an appropriate strategy for both type of firm (Helms et al., 1997; Spanos, Prastacos, & Papadakis 2001) rather this work was solely conducted on SMEs and was able to prove that SMEs adopt combination of strategies to attain sustainability in their turbulent environment which negate the view that combination of strategies are for the large firms.

Conclusively, for any SMEs to compete effectively in its industry thereby attaining sustainability must embark on strategic choice either to follow pure strategy or combination of strategy but any SMEs that take to the option of not embarking on any strategic choice will definitely be stuck in the middle thereby finding difficult to compete effectively in its industry and unable to attaining sustainability.

## **Recommendations**

The recommendations for this research work are as follows:

1. SMEs must at every point in time embarks on strategic choice either to follow a pure strategy or combination of strategy to guarantee its sustainability in its industry. The idea of “any-strategy-goes” or “we are relatively small and no need for any strategy” must be avoided in order to prevent stuck in the middle which hinders its competitiveness and sustainability in its industry.
2. adoption of a combination of strategies has been proven in this research work to have a greater impact on SMEs sustainability, invariably SMEs must combine strategy and avoid the idea of creating a niche in its market to save its head from any form of competition
3. differentiation strategy which has been discovered to be an effective strategy in gaining competitive advantage in any business environment must be passionately used by SMEs to ensure their survival
4. SMEs must embark on low-cost manufacturing, hire committed employees and outsourced those activities that are devoid of cost advantage.
5. SMEs should be committed and be disciplined with their strategies and avoid the idea of using any form of strategies that comes their way.

## **Limitation and direction of future study**

The research work made use of respondents from SMEs in Lagos mainland and Lagos island of Lagos state in the country, which serve as a weakness and was also confined to a single location in southwestern Nigeria, it is therefore suggested that future research on survival strategies and sustainability of SMEs can attempt to engage respondents from different geographical locations.

Similarly, this work focused majorly on the impact of survival strategies on sustainability with specific emphasis on different sectors of SMEs in Lagos State. Other

research work on a comparative study of SMEs to determine the resultant effect of survival strategies on their sustainability and as well as measuring their competitiveness and performance in a turbulent environment.

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