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Competitive Advantage and Performance of Small and Medium-sized Enterprises (SMEs) in Maiduguri Metropolis, Borno State, Nigeria

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ABSTRACT
The study examined the relationship between competitive advantage and performance of SMEs in Maiduguri Metropolis Borno State. The study adopted a survey research design and a simple random sampling technique was applied. Primary data were used by administering a structured questionnaire to the respondents. Population of 1,448 were selected from a variety of registered SMEs' owners. The study's sample size was 313. Resource-based theory was chosen as the foundational framework for the study. The developed hypotheses were tested using regression analysis while descriptive statistics were used to analyze the research questions. The results showed that there is relationship between performance of SMEs and competitive advantage. This suggests that small and medium-sized businesses in Maiduguri, Metropolis, Borno State, perform far better when they have a competitive edge in terms of cost, quality, price, and service delivery- meaning that of their cost of production, the quality of their products, the price of their products and the type of service they render to their customers. The study recommended that small and medium-sized businesses should maintain a competitive advantage in relation to pricing, quality, and service delivery since it improves effectiveness, efficiency, and sales.

Keywords: Competitive Advantage, SMEs, Performance and SMEs Performance.

1.0 Introduction

Performance of small and medium-sized Enterprises (SMEs) is a growing concern among business, professionals, governments, and international organizations because of various issues such as restricted financial access, insufficient infrastructure, a shortage of skilled workforce, and a difficult regulatory environment. These challenges impede their development, long-term viability, and role in enhancing the economy. It is now widely acknowledged that SMEs play a vital role in the socioeconomic and political architecture of both rich and emerging countries, as well as those undergoing the shift from command to market economies (Chikwendu et. al.2019). SMEs contribute to employment growth at a faster rate than larger ones, their performance and growth are important indicators of the degree of industrialization, modernization, urbanization, equitable income distribution, welfare, income per capita, and the quality of life enjoyed by the populace. It implies that the optimal performance of Small and Medium-sized Enterprises should be prioritized in the thoughts of national economic managers, and policies and programs to assist the expansion of SMEs must be intentionally and vigorously pursued. The SMEs in Maiduguri Metropolis, Borno State, Nigeria are a thriving and competitive subsector of the state's capital economy, with a total of 1448 Small and Medium Sized Enterprises (Corporate Affairs Commission, 2018). For businesses to succeed in a highly competitive environment, such as that of SMEs in Maiduguri, Metropolis, owners/managers must be aware of competitors' strengths and shortcomings. According to the literature, managers must devote significant time to analyzing each of their competitors (Porter, 1985). This is lacking among the owners/managers of SMEs in Maiduguri Metropolis. This is important to enable owners/managers that take decision for their firm to leverage on information they had from such analysis and plan ways to gain themselves a competitive advantage over other firms.

1.1 Statement of the Problem

There has been relatively little research on competitive advantage in small firms as compared to studies of competitive advantage in large corporations. One of the primary reasons is that competitive advantage in smaller enterprises frequently occurs by chance as a result of specific operating conditions surrounding the enterprise (Muhammed et al. 2019). As a result, small and medium-sized businesses struggle to determine what exactly is responsible for their perceived competitive advantage over competitors, preventing them from strategically planning for the long term on how to sustain competitive advantage or create one where none appears to exist.

This is the state of affairs in the Small and Medium Sized Enterprises in Maiduguri Metropolis, as the majority of business firms in the industry do not consciously make plans ahead of time that will give them a competitive advantage; instead, they wait for situations to determine what decision to make in terms of measures to take in order to gain a competitive advantage, and the outcome of this reactionary approach to planning may be too costly (Chikwendu et. al.2019). However, the ideal scenario would have been for businesses to develop a strategic plan that would put them ahead of the competition and/or maintain their competitive edge.

This failure to develop a deliberate plan to obtain a competitive edge has always resulted in the closure of numerous Small and Medium Sized Enterprises (SMEs) owing to their inability to build long-term plans that would keep them ahead of the competition. As a result, the goal of this research is to evaluate the relationship between competitive advantage and performance in small scale businesses in Maiduguri, Metropolis Borno State.

2.0 Literature Review

2.1 Conceptual Issues

This section discusses the concept of SMEs performance, competitive advantage, and reviews related literature as well as theoretical frame work.

2.2 Small and Medium sized Enterprises (SMEs)

In today's world, the definition of a small and medium-sized enterprise varies by country, location, and agency. According to Loveman and Sengenberger (1990), "Small and Medium Scale Enterprises are elusive concepts" because they conceal a wide range of company types. The definition of Small and Medium Scale Enterprises has a geographical component. For example, the traditional definition in Germany limits Small and Medium Scale Enterprises (SMEs) to 250 employees, whereas in Belgium it is limited to 100 (Oni & Daniya 2012)

The European Union recently standardized the concept, classifying firms with fewer than ten (10) people as "micro," those with fewer than fifty (50) employees as "small," and those with less than two hundred and fifty (250) employees as "medium." In the United States of America any business with less than one hundred (100) employees is categorized as "small", whereas a "medium" scale business has fewer than five hundred (500) employees. The Central Bank of Nigeria (CBN) agrees with the Small and Medium Industries and Equity Investment Scheme (SMIEIS) in their definitions of small and medium scale enterprises as any enterprise with a maximum asset base less than two hundred million naira (N200,000,000) and equivalent of about (1.43 million) without adding working capital, land and the staff (Mohammed & Ismail 2025).

Size metrics used to classify SMEs include employment, assets, and income. However, the government and corporate sector in Nigeria continue to accept this definition. SMEs include micro, small, and medium-sized Enterprises (Mohammed & Ismail 2025). Thus, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) classify SMEs into categories. Micro enterprises have more than ₦1.5 million worth of assets, excluding land costs, but including working capital, and less than 10 employees. Small businesses have more than ₦1.5 million worth of assets but not more than ₦50 million (excluding land costs), operating capital, and 11 to 100 employees. In Nigeria, the significant role played by the sector is clearly shown in the SMEDAN and NBS 2017 survey report documented by Akinwale (2018), which indicates that the economy is largely accounted for by SMEs as they make up close to 90% of businesses in the country. In addition, this sector accounts for 84% of the country’s employment (ILO 2023).

2.3 SMEs Performance

SME performance can be seen as how the firm produces value to its stakeholders, which include owners, customers, society, and even the government. SMEs' performance can also be defined as an organization's ability to acquire and deploy its scarce resources and valuables as quickly as feasible in pursuit of its operational goals (Phina, 2020). Performance is the end result of an organization's actions. In the literature, two main techniques to judging performance have emerged: financial (commonly referred to as "sales-based") and non-financial (also known as "firm-based"). Financial performance metrics include profitability, growth, productivity, sales revenue, market share, return on investment, and product added value. Focus on quantifiable financial metrics that have a direct influence on the bottom line. Non-financial performance metrics include employee development, customer satisfaction, and job satisfaction and efficient internal organizational processes. Focus: In addition to financial numbers, Eniola and Ektebang (2014) emphasize organizational health and welfare. However, combining financial and non-financial viewpoints help to provide a complete picture of an organization's effectiveness. Performance is a subjective measure of an organization's ability to employ assets from its principal mode of operation to create money. The development of SMEs is determined by how well they use their resources, which include labor, capital, and knowledge. These resources are collected, organized, and transformed into products and services via the company's operations, procedures, and frameworks (Sarwoko & Frisdiantara, 2016). Therefore, for the purpose of this study, performance is the ability of the SMEs to use the available resources within its reach to accomplish their set objectives within a given time frame. The study focuses on both financial and non-financial performance of the SMEs within the Maiduguri Metropolis. The reason is because performance is the end result of their actions.

2.4 Concept of Competitive Advantage

Porter (1985) defines competitive advantage as how a business implements generic strategy, which in turn refers to an enterprise's daily actions in relation to cost leadership or differentiation strategy. The primary goal of strategic management is to establish and maintain an enterprise's competitive advantages, allowing it to generate outcomes that exceed the industry average (Celglinski, 2016). The continuous supremacy of a firm in any industry may be traced back to specific variables, which provide the firm with a competitive advantage. However, because planning is mostly short-term in nature, SMEs in Nigeria are less likely to adopt strategic management principles. A competitive advantage is obtained when a company provides comparable buyer value at a lower cost efficiently than the competitors. As previously stated, competitive advantage in the context of organizations refers to a firm's advantage over competitors. It is what distinguishes one firm from the others and causes a customer to choose one over the others. It shows that a company has a competitive advantage when it has the ability to outperform competitors when battling for the favor of customers. Organizations can gain a competitive edge over other organizations in a variety of ways, but strategic thinking is a fundamental element in the dynamics of competitive advantage building.

Kyurova (2018), believes that competitive advantage can be defined as a product-owned particular quality that adds value to consumers and is more beneficial than competitors' products. Competitive advantages are significantly time-consuming aspects of the entity or external variables that give the enterprise with supremacy over competitors in the particular market over the period considered. The competitive advantage is also traits or properties of a product or brand that provides immediate edge over competitors. According to Kotler (2016), a competitive advantage is an edge over competitors that is achieved by providing greater value or cheaper pricing, or by providing more benefits that justify charging higher rates. Competitive advantage, on the other hand, is a business notion that has been used since before Porter coined the term in 1985. As a result, it has been said that there is no uniform definition of competitive advantage in practice or the marketing strategy literature. A competitive advantage is gained when a company creates or obtains a set of traits (or execution actions) that enable it to outperform its competitors. In other words, competitive advantage is revealed, when activities of a given organization are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities including, for example, the share in the market, product quality or technological advancement. Inherently, a lot of enterprises are not able to exceed such prescribed standards (Muhammed et al, 2019). Hence, the study defines competitive advantage as the ability of SMEs to be above their competitors due to some factors such as cost of production, quality of their products, price of their products and service delivery to customers.

2.5 Empirical Review

Tolossa et al. (2024) conducted research on Unveiling the Nexus: The Critical Role of Competitive Advantage in Bridging Entrepreneurial Marketing Practices and Long-Term Firm Performance in Small and Medium Enterprises. To investigate the links, a descriptive research design was merged with explanatory research, and firms were selected using stratified sampling with basic random sample procedures. Data from 387 SMEs in Oromia, Ethiopia, were gathered and analyzed using structural equation modeling (SEM). The findings revealed substantial links between entrepreneurial marketing techniques, competitive advantage, and firm performance sustainability, with competitive advantage acting as a partial mediating factor. The findings also demonstrated that SMEs that are entrepreneurial, strategic, and socially responsible are better positioned for long-term success.

Ogbari et al. (2022) investigated the impact of competitive strategies used by small and medium-sized firms in Nigeria on their performance. A total of 125 respondents were chosen using the judgmental sampling technique. The four hypotheses were tested using a student t-test analysis. According to the study, competitive strategies improve the performance of Nigeria's Small and Medium Enterprises. The report suggests that Small and Medium Enterprises in Nigeria choose the proper strategy that would suit the firm and the environment in which it operates.

Chikwendu et. al. (2019) examined the impact of competitive advantage on the performance of small and medium printing press firms in the FCT. The study employed a survey research design and a random sampling technique was used. The study used primary data by administering to a structured questionnaire to the respondents. Using the purposive sampling method, the study's sample size was chosen from among the 229 small and medium printing businesses in the FCT. The study made use of correlation and regression. The study found that small and medium printing press companies' performance in the FCT is significantly correlated with their competitive advantage. This suggests that small and medium printing presses' performance in the FCT is greatly influenced by competitive advantage in terms of cost, quality, price, and service delivery. In order to improve effectiveness, efficiency, and sales, the study advised small and medium-sized printing press companies to implement a competitive strategy in terms of pricing, quality, and service delivery.

2.6 Theoretical Framework

Resource-Based Theory

Resource-based theory (RBT) was propounded in1980. It is also known as the resource-based view (RBV), is a management theory that contends that internal resources and capabilities, not external market variables, are the basis of a company's competitive advantage. It suggests that businesses with resources that are valuable, rare, unique, and non-substitutable (VRIN) have a higher chance of achieving exceptional and long-lasting performance. The theory's core premise is that businesses should focus on their existing resources and potential rather than the competitive external environment.

The existing research focuses on a firm's strategic identification and utilization of resources to establish a sustainable competitive advantage (Barney, 1991). According to RBV theory, enterprises have collections of unique resources and competencies that are valuable, rare, inimitable, and non-substitutable and can give them with a sustainable competitive advantage. Thus, investigating how competitive advantage influences internal and micro and macro resources and enables an organization's capabilities to increase innovation performance by applying RBV theory in this study is very important. Small and medium-sized firms (SMEs) are likewise endowed with these two categories of capital or resources, which require effective and efficient management to assure their competitiveness and performance as in strategic management research, RBV theory has emerged as one of the theoretical views utilized to explain the persistence of firm performance discrepancies

2.7 Conceptual Framework

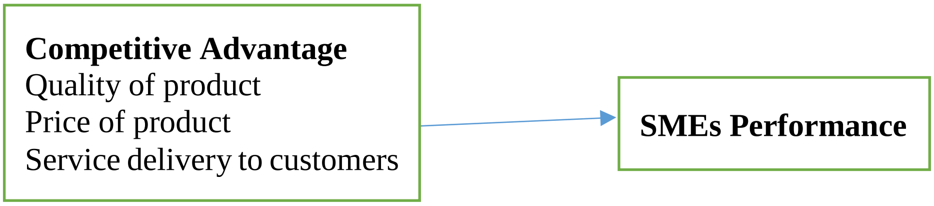

Figure 1: conceptual framework for the study

3.0 Methodology

The study employed a cross-sectional research method and administered structured questionnaires using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The survey method of data collection was used. The population consisted of 1448 various categories of registered SMEs owners in Maiduguri Metropolis, Borno State, Nigeria. Respondents were selected using a simple random method. A sample of 313 various categories of registered SMEs owners in Maiduguri Metropolis, Borno State, Nigeria. The sample size was determined using the Taro Yamane formula (1967). The developed hypotheses were tested using regression analysis while descriptive statistics were used to analyze the research questions.

4.0 Discussion and conclusion

According to the literature reviewed, organizational competitive advantage has a significant impact on the performance of small-scale businesses because it can be used as a conceptual measure for SMEs' performance, specifically through the application and manipulation of identifying internal and external organizational resources to increase their competitive advantage. Financing, inadequate management, a lack of initiative, and a lack of managerial education are some of the reasons why SMEs are unable to be ahead of their competitors. SMEs encounter obstacles and must properly manage them. Owner-managers must develop strategies for enhancing their collective resources, particularly tangible and intangible resources.

Owners of small and medium-sized businesses must exercise caution. That is, in order to gain a competitive edge, the business's ownership and control should be diluted. Human resources should be strengthened by hiring competent and professional individuals who have the knowledge, skills, and capacity to share with the rest of the company. If selecting the proper individual who knows how to run a firm is too vital, incentives and welfare motivation should be offered to motivate them to accomplish the work well. SMEs should strive to utilize or get the greatest benefits from government policies or efforts. Based on the findings discussed above, the study concludes that competitive advantage of small and medium scale had a positive statistically and significant effect in Maiduguri Borno State, providing both theoretical and statistical evidence that competitive aggressiveness affects competitive advantage. This study adds to our knowledge and understanding of competitive aggressiveness and competitive advantage. Drawing on the competitive advantage theory, this study contends that in order to increase a company's profitability, competitiveness must be provided as a good market research strategy, which is necessary for competitive pricing, cost reduction, and improved performance of the SMEs.

5.0 Recommendations

The following recommendations were made:

i. SMEs owners/managers should adopt appropriate pricing, marketing, advertisement, sales promotion strategy to enhance their competitive advantage.

ii. The small and medium scale enterprises in Maiduguri Borno State adopt quality, and service delivery since it improves effectiveness, efficiency, and sales.

iii. It is suggested that competitive aggressiveness be investigated in any other selected sector such as banking sector, telecommunication sector, and public and private limited liability industries in Maiduguri.

AUTHOR CONTRIBUTIONS

Rosemary Ijeoma Okorie Drafted the original manuscript, conceptualized the study and developed the methodology.

Tawa Suleiman Tijjani Supervised the work and validated the data, contributed to the methodology.

Muazu Hassan Muazu critically revised the manuscript for important intellectual content. Both authors read and approved the final version of the manuscript.

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