Effect of Competitive Aggressiveness on Competitive Advantage of Selected Small and Medium Scale Enterprises in Ogun State, Nigeria

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Abstract

Small and Medium Scale Enterprises (SMEs) are frequently under pressure at the local or domestic markets because of cheap importation and high level of competition. The inability of top management of SMEs to properly analyse the market is one of the leading causes of their not been able to enjoy competitive advantage. Therefore, this study aimed to examine the effect of competitive aggressiveness on competitive advantage of small and medium scale enterprises (SMEs) in Ogun State, Nigeria. Survey research design was employed for this study. Set of structured questionnaire on competitive aggressiveness and competitive advantage of SMEs were self-administered for the collection of the primary data. In order to get a valid sample, a group of 386 firms were analyzed. A pilot study was carried out to test the validity and reliability of the research instrument using Cronbach Alpha reliability test. The data collected were analyzed using both descriptive and inferential statistics. The findings of this study revealed that competitive aggressiveness has positive significant effect on competitive advantage of SMEs. \( \beta=0.973; R^2=0.294; t_{(385)}= 12.636; p>0.05 \). It was concluded that competitive aggressiveness affected competitive advantage of SMEs in Ogun State, Nigeria, and recommended that entrepreneurs should employ appropriate price control mechanisms, invest heavily in marketing, advertisement, sales promotion and aggressive growth to enhance their competitive advantage which is critical for organizational performance, and that maintaining good relationships with clients is an important factor to be considered.

Key-Words: Competition, Competitive advantage, Competitive aggressiveness, Entrepreneurship, Small and Medium Enterprises.

1.0 BACKGROUND TO THE STUDY

Small and Medium Scale Enterprises often directly and aggressively challenge competitors in an effort to improve relative performance (Lumpkin & Dess, 1996; Miller, 1993). It is significant to also note that the current trend of global business environment has resulted into tight competition which is considered to be a major challenge for SMEs. This has become unavoidable for SMEs and has serious impact on them, despite their size. Firms fight for market share, with aggressive price and advertising competition, first-mover advantages and quick response to competitive challenges and competitive differentiation (Setiawana, Erdogana, & Ogunlanaa, 2015). They require an effective competitive strategy to be able to survive in this highly competitive and globalized era. Nigerian SMEs should focus on developing effective strategies to improve their performance and to improve their competitiveness. (Orozco, Serpell, Molenaar & Forcael (2014). Competitive Aggressiveness is the firm`s strategic response to competitions in an effort to protect its competitive market position. Also, Competitive Aggressiveness refers to how enterprises “relate to competitors” and “respond to trends and demand that already exist in the marketplace” with regard to competitors Orientation (Chalchissa, & Bertrand, 2017; Deakins & Freel, 2012).
Also, Competitive Aggressiveness as a dimension of Entrepreneurial Orientation refers to “the type of intensity and head-to-head that new entrant often need to compete with existing rivals” (Chalchissa, & Bertrand, 2017). Also, A firm is said to have a high degree of ‘competitive aggressiveness’ if it forcefully takes a large number and a large variety of actions to outperform its competitors in the marketplace. Competitive dynamics scholars have shown those firms with a high degree of competitive aggressiveness experience better profitability, competitive advantage and a greater market share than firms that carry out a narrow, simple repertoire of actions (Giachetti, 2016). Sigalas, Economou and Georgopoulos (2013) stated that exploring opportunities, neutralizing threats and reducing cost represent the degree of competitiveness of a firm. They also emphasized competitive aggressiveness as a sequence of competitive actions, which all together form a competitive attack. Furthermore, Mwaura, Gathenya and Kihoro (2015) found that a company’s competitive aggressiveness is influenced by the ability of its top management team to observe and to catch the hints from the relevant business environment. As such, ‘winning the competition’ is an important goal for SMEs in running their businesses (Setiawana, Erdogana, & Ogunlanaa, 2015). Therefore, in Nigeria, SMEs should focus on developing effective competitive aggressive strategies to improve their competitive advantage and performance.

There is a lack of evidence testing the competitive aggressiveness–performance relationship from the perspective of SMEs based in developing countries entering and competing in emerging economies. Given the highly competitive and rapidly changing environments that developing country-based firms have to cope with when entering certain emerging economies, various authors have recently argued the analysis of this unexplored relationship to be an apt research issue. Also, most studies on competitive advantage have only accessed companies neglecting smaller and medium firms and as such, the lack of this knowledge in current literature showed the relevance of a study on competitive aggressiveness on competitive advantage in the SME(Giachetti,2016).

1.1 Statement of the Problem

Globalization has brought about competition amongst firms which is on the rise and SMEs in developing countries such as Nigeria, especially in Ogun state, Nigeria are struggling under this intense competitive environment. Also, they are not only competing with SMEs owned by Nigerian Enterprises, but also foreign owned companies located in the state. This has led to intense pressure on the local or domestic markets from cheaper imports and foreign competition which probably has led to poor performance of SMEs. Nigeria's business environment is situated in midst of a challenging economic landscape and intense competition, therefore, managers are increasingly seeking for strategic approaches to accomplish, improve and sustain-organizational performance and competitive advantage (Uchegbulam, Samuel & Ayodotun, 2015; Zayed & Alwad, 2017).

Some researchers like Akingbolu (2014), Okezie, Odii, and Njoku (2013) found that 70% of SMEs fail in their first three years of operations in Nigeria because of their economy of scale. This is coupled with the dynamic nature of the environment and greater competitive firms. It was further found that Product customization and growing use of ICT, forces firms to face challenges of improving their competitiveness. These difficulties are greater for the highly competitive environment for small scale businesses which negatively affect their
performance. The inability of top management of SMEs to properly analyse the market is one of the leading causes of their not been able to enjoy competitive advantage.

Lack of capability and motivational level for competitive action, inadequate rival awareness level and lack of anticipated market changes in technology have made SMEs in Ogun state coupled with the difficulty to gain access to information on technology, has a negative effect on competitive advantage of the price competitiveness, valuable product, customer intimacy and inconsistent sales and revenue (Chalchissa & Bertrand, 2017. Furthermore, the inability of entrepreneurs to afford the cost of training and advisory services which is high had adverse effect on the competitive advantage of Organisational staff relationship (Akinwale, 2010)

Despite every effort made by government and non-governmental bodies to ensure the success of SMEs in Nigeria, Mwangi and Omhui (2013) posit that inability of small scale and medium scale enterprises (SMEs) to gear effort towards applying effective competitive aggressive strategies reduces their performance as they were found facing severe competition from multinational companies in the market and the need to meet consumer’s requirement for quality, quantity and price has been a major challenge that has led to the collapse and eventual failure of many SMEs in Ogun state.

However, there is only few research studies on the effect of competitive aggressiveness on competitive advantage, most empirical studies have been conducted within the marketplace of developed countries. Therefore, the aim of this study is to explore the effect of competitive aggressiveness on competitive advantage of SMEs in Ogun state, Nigeria.

2.0 LITERATURE REVIEW
Competitiveness is defined as the idea of men vigorously competing with other men, each of them striving to provide superior performance, pushing the rival in his relentless pursuit to stay ahead of the other. It refers to the company tendency to challenge direct and intensively its competitors when entering into a market or to enhance its position by outperforming its rivals. It is the firm’s strategic response to competitions in an effort to protect its competitive market position. Antonio, Felipe, Roberto, and Mauro (2015). Also, Competitive Aggressiveness refers to how enterprises “relate to competitors” and “respond to trends and demand that already exist in the marketplace” with regard to competitors Orientation (Chalchissa, & Bertrand, 2017; Deakins & Freel, 2012). Again, Schillo (2011) reported that competitive aggressiveness refers to the company’s way of engaging with its competitors, distinguishing between companies that shy away from direct competition with other companies and those that aggressively pursue their competitors’ target markets.

Enterprises in which competitive aggressiveness exists tend to perform better than their counterparts ,and competitive aggressiveness helps firms in tackling dynamic and hostile environment, however, entrepreneurship scholars have argued that more aggressiveness is not always positive, that businesses may damage their reputation and lose goodwill by being too aggressive and that competitive aggressiveness is a strategy best used in moderate environment (Mirza, Bergland, & Khatoon, (2016); Schillo, (2011) deal with the competitive aggressiveness as being an organization's trend in responding aggressively to the competition actions, looking forward to reaching competitive advantage, dominating it with responsiveness. Similarly, Venkatraman (1989), stated that competitive aggressiveness is the position adopted by a company, through allocating resources in
order to gain positions in a specific market faster than its competitors. It can be based on product innovation, market development, and high investment to improve market share and to achieve a competitive position. Covin and Lumpkin (2011) point out that some evidences of competitive aggressiveness can be reached when evaluating the management attitude as far as competitiveness is concerned and this evidence can also reflect the use of nonconventional competition methods instead of traditional or reliable ones.

The disadvantage of competitive aggressiveness refers to a firm’s propensity to directly and intensively challenge its competitors to achieve entry or improve situation that is to outperform industry rivals (Lumpkin & Dess, 1996). This connotes a trait in a firm that is reflected in its propensity to face up to and challenge its rivals directly and intensely and to outperform them in the marketplace. These include the use of strategies such as low price, differentiation, and targeting a competitor’s weaknesses (Lumpkin & Dess, 1996), or in outspending competitors on marketing, product service and quality, sales promotion advertising or manufacturing capacity which may either have a negative or positive effect on the firm depending on the effective use of strategy. Furthermore, organizations, in their pursuit for aggressive growth, exhibit a clear and pronounced strategic focus of ‘beating the competitors’ (Osare, 2013).

Competitive Aggression as a dimension of Entrepreneurial Orientation refers to “the type of intensity and head-to-head that new entrant often need to compete with existing rivals” (Chalchissa, & Bertrand, 2017). Competitive aggressiveness has been associated with a wide range of dimensions, including Porter’s generic strategies (2013), first-mover advantages and Montgomery & Lieberman, (1988).

Peteraf (2010) defines competitive advantage as the retention of earnings higher than normal. According to Besanko (2010), a firm has the competitive advantage if it gains a higher economic profit than the average rate of profit in the same market. Saeed, Yousafzai and Engelen (2014) have pointed out that the competitive advantage mainly means that the firm can produce goods or services that the customers seem them more valuable than those produced by other competitors’. On the other hand, Porter (1980) deals with the competitive advantage in the context of competitive strategy. He sees the competitive strategy as the determination of a firm's position in a competitive environment. The purpose of competitive strategy is to gain insights about the market through understanding and predicting the economic factors, especially other competitors’ behaviour and a company with a competitive advantage will affect positively both market and financial performance.

To achieve the competitive advantage, an organization must also pay attention to its external position as well as internal capabilities. The organization must consider its internal capabilities and its competitive position in the market not as separate elements but think of them as interactive elements and sources of gaining the competitive advantage and marketing strategy (Porter 1980).

The term competitive advantage was developed by Porter and in terms of a variety of competitive strategies (cost leadership, differentiation, and focus) to achieve long-term competitive advantage. Nevertheless, he did not provide a formal definition for sustainable competitive advantages. Meanwhile, Barney (1991) has provided the closest definition of competitive advantage as the continuity of benefits and application of unique value creation strategies asynchronously with potential competitors that are not able to copy such benefits. Competitive advantage is related to the firm's efforts in establishing and maintaining advantages for a long-term period. Competitive advantage is affected by three factors: the size of the target market, greater access to resources and customers, and restrictions on the organization is implementing a value creating strategy not simultaneously
being implemented by any current or potential rivals, and then the organization has a competitive advantage. Also when other organizations are unable to copy the benefits of this strategy, it confirms that the organization has a sustainable competitive advantage. In 2008, he distinguished between two types of competitive advantage: temporary and sustainable competitive advantage.

Furthermore, Esen & Uyar, (2012) defines competitive advantage as, creating some barriers that make firm’s performance imitation difficult. That is, since the competitive advantage is at the heart of firm's performance, it should protect itself from being despoiled and assimilate new sources of technologies, skills, and core competencies. They also stated that competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore, most competitive advantage is temporary. On the other hand, some competitive advantages are powers of the competitors. Usually a firm can create the competitive advantage whose managers apply its strategy based on characteristics that cannot be easily copied (Coyne, 2014).

Coyne (2014) argues that to create sustainable competitive advantage, customers need to recognize the differences between a firm's products and those of the competitors. These differences must have been created due to the firm's resources that are not accessible by its competitors. Corroborating the above, Esen & Uyar, (2012) stated that competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore, most competitive advantage is temporary. On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives a better offering.

An empirical study was carried out on the Influence of Competitive Aggressiveness on Firm Performance relating to 163 SMEs in West Java, Indonesia using Structural Equation Modelling (SEM) analysis. The results indicated a significant influence to firm competitive advantage in West Java (Ansir & Cahyono, 2014). Supporting the above is a study conducted by Ni Nyoman & Putu (2017) based on a research background that competitions are more intense after the enactment of Asean Economic Community (AEC) 2015. The study revealed that Implementation of business strategy has positive and significant influence on competitiveness and business performance.

Furthermore, Mwaura, Gathenya and Kihoro (2015) conducted a study on the dynamics of Competitive aggressiveness on the Performance of ‘Women claimed Enterprises’ in Kenya. Following, the effects of this study demonstrated that, Competitive aggressiveness had a positive relationship and assumed a noteworthy competitive advantage on the Performance of Enterprises as confirmed by the expansion in piece of the overall industry and trade stream dependability out the business also (Arshada, Rasli, Arshad & Zain, 2014) conducted a study on the impact of competitive aggressiveness on performance of SMEs in Malaysia. The study decided the effect of entrepreneurial orientation (EO) spoke to by five measurements and business execution. A basic arbitrary examining strategy was received in which just hundred innovation based SMEs in Malaysia reacted to the review poll and an aggregate of eighty eight reactions regarded to be unstable.

This study adopted the competitive advantage theory (Clulow, Gerstman & Barrey, 2003). It attracted profound research interest due to contemporary issues regarding superior performance levels of enterprises in today's competitive market- The theory states "An enterprise is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player"
(Clulow, Gerstman & Barrey, 2003). The theory also, deal with the competitive aggressiveness as being an organization's trend in responding aggressively to the competition actions, looking forward to reaching competitive advantage. Supporting the above are Powell (2001) and Porter, (1990). They viewed business strategy as the tool that manipulates resources and creates competitive advantage, hence viable business strategy may not be adequate unless it possesses control over unique resources that have the ability to create such a unique advantage, he also said that competitive advantage is an advantage that a firm has over its competitors that allow it to generate sales or margins and/or retain more customers than the competition. Furthermore, Firms, in their pursuit for aggressive growth, exhibit a clear and pronounced strategic focus of ‘beating the competitors’ (Osare, 2013).

**Underpinning Theory**

The theory of competitive advantages was faulted by Chene, (1995). He argued that it is not the environment but the sustainability that is used to describe the competitive advantage approach. But, according to (Barney, 1991) SMEs which accumulate rare resources, that are difficult to imitate and non-replaceable may have competitive advantage. According to Henderson & Cockbutirn (1994), Competitive Advantage theory is relevant to this study because it is a determining factor of the SME’s success, and SMEs need to respond aggressively to global competition. He further said that there are many factors which will contribute to SMEs competitive advantage. SMEs constitute the main source of materials, ideas, processes and services that large enterprises cannot or do not want to do. Also, this study adopted competitive advantages theory because it provided a robust basis to the study on the effect of competitive aggressiveness on the competitive advantage of small and medium scale enterprises.

**3.0 METHODOLOGY**

This study employed survey research design and Multi-stage sampling technique would be used to examine the effects of entrepreneurial pro-activeness on growth of selected SMEs in Ogun State, Nigeria, set of well-structured questionnaires and primary source were used for data collection. Adopting survey research design was necessitated as a result of the nature of the study and the characteristics of the respondents, it extensively describes the effects between the variables and it was the most frequently used research design approach in entrepreneurial studies (Ariyo, 2005, Asikhia, 2010, Ogbuanu, Kabuoh & Okwu (2014). The population for this research comprised of 1,794 Small and Medium Scale Enterprises that are registered with SMEDAN and are operating in Ogun state as at 2013, and total sample size was 412. Out of the 412 firms randomly sampled, only 386 (93.69%) responded to the questionnaire. The instrument was administered among the owner-managers, managers and employees of various SMEs (The questions were anchored on a six- point rating scale ranging from 1= very high to 6= very low) and data were analysed using the inferential analysis using linear regression analysis to test the effect of dependent on independent variable.

**Hypothesis:** Competitive aggressiveness has no significant effect on competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria.

**Model Specification**

\[ \text{CA} = \beta_0 + \beta_1 \text{COMA} + \mu \]

Where CA= Competitive Advantage, COMA= Competitive Aggressiveness
4.0 ANALYSIS AND FINDINGS

The results of the analysis are presented in the following Table 1 showing the effect of competitive aggressiveness of competitive advantage of small and medium scale enterprises in Ogun State, Nigeria.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>9.481</td>
<td>1.998</td>
<td>4.746</td>
</tr>
<tr>
<td></td>
<td>Competitive Aggressiveness</td>
<td>.973</td>
<td>.077</td>
<td>.542</td>
</tr>
</tbody>
</table>

*R = 0.542

*Durbin-Watson = 1.312

a. Predictors: (Constant), Competitive Aggressiveness
b. Dependent Variable: Competitive Advantage

Source: Field Survey Data (2018)

Table 1 shows a regression results of effect of competitive aggressiveness on competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria. The results of regression analysis show that the coefficient of determination is 0.294 which implies that competitive aggressiveness explains 29.4% of the variations in competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria (*R*^2^ = 0.294). However the regression did not explain 70.6% of the variation in competitive advantage of the selected small and medium scale enterprise which was attributed to other EO variables not captured in the model.

In addition, Durbin Watson (DW) test was 1.312 which lies below the range of 1.5 and 2.5 recommended value for independent observations. Therefore, there was a positive autocorrelation but the error is minimal which did not affect the results. The regression model estimated as shown in Table 4.6 revealed that competitive aggressiveness is statistically significant at β=0.973; *t* = 12.636; *p* = 0.001, therefore at 95% level of confidence, competitive aggressiveness has a positive and significant effect on competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria. The regression model estimated in Table 4.8 for the direct effect of competitive aggressiveness on competitive advantage of the selected small and medium scale enterprises is presented below.

CA = 9.481 + 0.973 COMA + 1.998

The regression equation reveals that holding Competitive Aggressiveness to constant zero, competitive advantage of the selected small and medium scale enterprises would be at 9.481. The equation also demonstrates that a unit increase in competitive aggressiveness is responsible for increasing competitive advantage of the
selected small and medium scale enterprises by 0.973. This implies that competitive aggressiveness significantly affects competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria. Therefore, we may reject the null hypothesis.

**Discussion of Findings**

The finding of the hypothesis revealed that competitive aggressiveness has significant effect on competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria. This finding is consistent with the study of Ni Nyoman and Putu (2017), which asserted that Competitive Aggressiveness has positive and significant influence on competitive advantage and business performance. They also stated that competitions are more intense after the enactment of Asean. Furthermore, the study of, Mwaura, et. al, (2015), who conducted a study on the dynamics of Competitive aggressiveness on the Performance of ‘Women claimed Enterprises’ in Kenya agreed with the study. His result revealed that, Competitive aggressiveness has a positive relationship and assumed a noteworthy competitive advantage on the Performance of Enterprises as confirmed by the expansion in piece of the overall industry and trade stream dependability of the business.

Also supporting this finding are Antonio, et.al, (2015); Arisi-Nwugballa, Elom,& Onyeizeugbe (2016) Arshada, et.al, (2014); Becems (2015) ; Ferrier (2011) ; Lindsey, Ashili, Roxas, and Victoria (2014) ; Lumpkin and Dess’s (1996); Matcheba-Hove &Vambe (2014); Yasa and Sukatmadja (2017), who conducted a study in Malaysia and the Eastern Cape Province of South Africa reacted to the review poll and result findings showed there was a medium to small correlation between variables. This study also revealed that competitive aggressiveness influenced performance and also has significant positive influence on the competitive advantage and success of the business. Corroborating the above is the findings of Sonja (2016), which agreed that competitive aggressiveness was positively connected to a better performance under most circumstances and study carried out by Ylvije and Elez (2013); Rahman & Ramli, 2014), on competitive advantage and its impact in small and medium scale enterprises (SMEs) emphasized the growing importance of the SME sustainable competitive advantage, the result revealed positive relationship between competitive advantage on SMEs performance.

In contrary, Innocent, Paul, and Amaka (2018) work did not align with the above. It was revealed that competitive aggressiveness has a negative and insignificant effect on the performance of SMEs in Abuja. Also Matchaba-Hove and Goliath (2007); Zulkifli and Rosli, (2013); investigated and reported that SMEs are facing more and more competitive pressure from the marketplace and has a negative and no significant effect on competitive advantage of the selected small and medium scale enterprises in Ogun State, Nigeria is rejected.

**5.0 CONCLUSION AND RECOMMENDATIONS**

The study on the basis of the findings as discussed above concludes that there was positive statistically and significant effect of competitive aggressiveness on competitive advantage of small and medium scale enterprises in Ogun State, Nigeria by providing both theoretical and statistical evidences that competitive aggressiveness affect competitive advantage with a beta coefficient of 0.973. This study adds more to the knowledge and understanding of competitive aggressiveness on competitive advantage. Drawing from the competitive
advantage theory, this study argues that in order to enhance profitability of a business, competitiveness must be provided as a good market research strategy which is essential for competitive pricing that would enhance cost reduction and improved competitive advantage and performance. In view of the findings of this study, it is recommended that entrepreneurs should employ appropriate price control mechanisms, invest heavily in marketing, advertisement, sales promotion and aggressive growth to enhance their competitive advantage which is critical for organizational performance.

This study investigated competitive aggressiveness and competitive advantage of small and medium scale enterprises in Ogun state, Nigeria. 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 companies in Nigeria

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