

## Strategic Competency the Silver Bullet for SME Performance in South West, Nigeria



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**ABSTRACT:** Strategic competency plays a major significant role in the economic development, survival, and sustainability of every nation. The inability of Small and medium enterprises to work with strategic plans in achieving their desired objectives has become a phenomenon in South west, Nigeria. The purpose of this study is therefore to establish the relationship between strategic competencies and performance of SMEs in South west, Nigeria. In view of the above statement this study examines strategic competency and performance of small and medium enterprises in South-Western Nigeria. Quantitative method was adopted as research design. The population size is 23,294 SMEs in Lagos, Ogun, Osun, Oyo, Ekiti and Ondo State. Taro Yamani sampling formula was adopted to get 393 as sample size. Multi-stage sampling technique and structured self-administered questionnaire was used to collect the primary data. Cronbach's alpha coefficients for the variables ranged from 0.73 and 0.88. Standard multiple regression (SPSS version 22) was used to analyze the quantitative data. Findings from the tested hypothesis show that the variables have significant impact on the performance of SMEs in South west, Nigeria. The study findings revealed that strategic competencies are positively and statistically significant to performance in SME's. The recommendations from the research are that Small and Medium Enterprise in South west State of Nigeria that want to have a competitive advantage over others must adopt in their own unique ways, strategic competency.

**KEYWORDS:** Strategic competency, entrepreneurship, Performance and SMEs

### 1.1 INTRODUCTION

In the global business environment, entrepreneurial competencies assumes a significant critical part in the economic development, survival, and sustainability of every nation. All effective organizations get strength from the entrepreneurial competencies of dealing with a given business. In Nigeria, there has been a noticeable rise of SMEs in the country because of the strategy and intervention for SMEs. Sound entrepreneurial competencies, as indicated by Masoud and Khatheeb (2020), are a significant indicator of SME performance, which assists with working on both the economic and social activities of the community by giving work prospects. Mohsin, Halim, and Farhana (2017) noted that the entrepreneurs competencies are perhaps the main figure that determine the achievement, performance and development of an SME.

Entrepreneurship is the process by which people seek after amazing opportunities regardless of the resources they currently control. This infers that entrepreneurship is the act of laying out one's business that makes it unique in relation to different kinds of economic activities in view of recognizing potential opportunities. Most SMEs begin being independent company planning to create gains and development. To pursue and be successful in running an SME, the entrepreneur needs to have some level of entrepreneurial competence. Entrepreneurship competencies combine recognition of opportunity, relationship, sense of organisation, strategy in problem-solving, and commitment to responsibility. Entrepreneurial competencies have continuously played a considerable role in the enhancement of businesses (Asenge and Agwa, 2018).

It further proposed that the competencies necessary to sign off and plan a new venture might be considered as "gauge". **As an approach** to concentrating on innovative capabilities, the skill approach has become famous (Adokiye and Onuoha, 2017). Innovative abilities are essential qualities like fundamental and explicit information, intentions, characteristics, mental self portrait, jobs, and abilities which are expected for business startup, endurance, as well as development (Abaho, et al. 2017).

All the more in this way, capability includes vital reasoning which mirrors the capacity of the association's chief to foster a future vision and to make an essential move to manage everyday tasks (Baylie and Singh, 2019). Skill addresses the capacity of

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trustworthiness and straightforwardness in transactions by conceding errors and coming clean. Applied Capability suggests the capacity to break new ground and this reflects in the capacity to animate new reasoning examples and to foster thoughts and ideas which may now and again require deviation from the typical strategy of getting things done (Hashim, Raza, and Sobri, 2018). Opportunity Capability is the capacity to perceive and make the most of various open doors, it is related with the business visionary's capacity to look for, create and survey excellent open doors that are accessible on the lookout.

The SME area contributes somewhere in the range of 55 and 65 percent of GDP (Gross domestic product) and work separately in big league salary nations and created economies (Zafar and Mustafa 2017). Little and Medium-sized Undertakings (SMEs) produce 70% of Gross domestic product and 95% of complete work in center pay countries (agricultural nations). Essentially, in low-pay nations, they represent 60% of Gross domestic product and 70% of complete business. Subsequently, the significance of SMEs to any country's financial development and advancement couldn't possibly be more significant. Essentially, Miniature, Little, and Medium Ventures (MSME) created generally half of Nigeria's GDP (Gross domestic product) in 2017 (Public Study of Miniature Little and Medium Endeavors, 2017). In arising economies, this is a significant commitment. Shehu, et al. ( 2013) expressed that business ventures are basic to Nigeria's monetary development since little firms represent 97% of the economy and 84 percent of open positions. In Nigeria, SMEs utilized 82.02 percent of the all out labor force (Adebisi and Gbegi, 2013; Buowari, 2015).

This terrible showing of SMEs which appeared in some exhibition aspect, for example, unfortunate benefit, productivities is because of bombs vital skills which a significant number of the SME proprietors are deficient. In view of the exploration issue over, the examination inquiries of how much does vital skill influence the presentation of Little and Medium Ventures in South west, Nigeria?

### **1.2. Objectives of the Study**

- i. investigate the impact of strategic competencies on product Quality of SMEs; and

### **1.3 Research Hypotheses**

**Ho1:** strategic competencies have no significance on the Product Quality of SMEs

## **2.0. REVIEW OF RELEVANT LITERATURE**

### **2.1 Conceptual Review**

The importance of business people is ensuring the exhibition and endurance of any firm when enterprising abilities are brought into center (Suvittawat, 2019). This finding concurs with Schumpeter's attestation in 1965 that the accessibility of business people in an economy will build the speed of monetary development and improvement through abilities and individual abilities. In any case, business is a complex idea which resists general definition. This position concurs with Ogunleye (2012) who states that an accurate meaning of business has been fairly subtle as various researchers have characterized the idea in an unexpected way. This is generally on the grounds that ideas and possession structures continue to change in a unique climate and its significance relies upon the concentration and the point of view of the individual characterizing it (Okoli and Anugwu, 2022). Umar (2019) contends that business venture has been one of the most encouraging administration research fields with the business visionary at the focal point of business research. Huang and Chen (2021) add that one has to know who a business person is to grasp the idea of business. According to Kwaku and Saladrigues (2022), business venture can be characterized as an ambitious person's obligation to facing challenges, making groundbreaking thoughts, seeking after worthwhile open doors, and beginning new organizations to bring in cash through the execution of the new plans, it is likewise connected with advancement, taking advantage of thoughts, handling to create new merchandise, starting new associations, administrations, and assets, and facing challenges, which bring about business visionaries' riches, firms' prosperity, and clients' satisfaction (Salau, Abdulraheem, and Mustapha 2019). By and large, business means the exercises of a business visionary. Provided the reality with that the proprietors of SMEs are much of the time the directors, same view was taken on as it is more pertinent to the review. In this manner, a business person is distinguished as somebody who freely claims and deals with a SME. Nonetheless, scientists have conceptualized business venture diversely in their examinations. Enterprising capabilities are considered as the center fixings, in particular unambiguous abilities, mental self views, social jobs, information, thought processes and attributes which result in stable birth, endurance or development (Hashim et al, 2018). It is when accessible assets and capacities are conveyed so as to acquire upper hands that others can't duplicate or impersonate (Hallam et al, 2017). Among the main assets of the organizations, innovative abilities are the most valuable and immaterial assets that are related with the company's exhibition (Asenge & Agwa, 2018). Different creators have contended that the transformation of capacities to capabilities is influential for the progress of an association (Baylie and Singh, 2019).

#### **2.1.1 Strategic Competency (SC) and SMEs' Performance**

Key capabilities prepare individuals and associations to take position and move in a profoundly powerful setting that presents continually changing difficulties to the acknowledgment of their aims (Almeida & Buzady, 2019). Nwachukwu (2017) verbalizes

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vital skill as the capacity of the business person to screen progress toward key objectives, focus on errands to concur with business targets, recognize long haul issues, dangers or amazing open doors, current activities to be in accordance with key objectives, match the result against key objectives, upgrade business to accomplish long haul objectives sufficiently, decide key activities through gauging expenses and advantages. It is likewise, the capacity to arrangement a drawn out brilliant arrangement that connects with the vision of the SMEs and furthermore foster procedures that will empower the accomplishment of the arrangement (Hennayake, 2020). A new overview by Ahmad et al.(2016) portray vital capability as the intrinsic fitness by people to accomplish long haul objectives, it expressed further that through the utilization of Key Skill, long haul issues including dangers and valuable open doors are estimated in accordance with set targets. Whiddett et al. (2017) make sense of the profundity of Vital Skill in accomplishing targets in numerous ways. As per this review, through Essential Capability, SMEs can evaluate and place into activities different errands to the acknowledgment of firm goals or set target. Key Capability likewise involves the capacity to devise long haul courses of action that bear critical connections to the dreams of different firms. Besides, Essential Ability centers around the administration of changes in the SMEs to acknowledge upper hands over different firms (Sozuer, Altuntas & Semercioz, 2017). Being the proprietor of the firm, the business person should set the bearing for the entire organization. This classification of capabilities requires the business person to have a dream or a 10,000 foot view to them, to have clear objectives to accomplish, or to plan and carry out methodologies to accomplish these vision objectives. McClelland (1987) stresses efficient arranging which is an essential arranging skill. Basically, these capabilities are connected with setting, assessing, and carrying out the techniques of the SMEs, while calling for capacities and abilities from a more extensive and long haul point of view. Key Skill explicit undertakings incorporate ways of behaving to go through a careful assessment to accomplish set targets. The reception of Vital Skill is certain that hierarchical headings are laid out for better and upgraded firm execution. The skills displayed in Table2.4 below are connected with setting, assessing, and executing the procedures for each SME

There are 6 clusters and 24 examples of behaviours identified and summarised in the Table below

**Table 1: Strategic Competency Domain: Clusters and Examples of Strategic Behaviours**

Clusters	Example of Behaviours
Devise Strategies	<ol style="list-style-type: none"> <li>1. Devise strategies to overcome the crisis</li> <li>2. Devise strategies to match current business trends</li> <li>3. Devise strategy to compete with others</li> <li>4. Devise strategy to attract customers</li> <li>5. Devise strategy to boost sale</li> <li>6. Map ways to reach business goals</li> </ol>
Develop vision and business goals	<ol style="list-style-type: none"> <li>1. Think about the future and develop a long-run goal</li> <li>2. Have a clear direction</li> <li>3. Move ahead toward goal systematically</li> <li>4. Priorities activities with alignment to the business goal</li> </ol>
Conduct research	<ol style="list-style-type: none"> <li>1. Conduct research before proceeding with the investment</li> <li>2. Conduct research on the business premise</li> <li>3. Conduct research on potential customers</li> <li>4. Conduct research on the quality of a product</li> <li>5. Analyse changes in the business environment</li> </ol>
Create competitive edge	<ol style="list-style-type: none"> <li>1. Utilize the firm's capabilities to improve performance</li> <li>2. Diversify business portfolio or specialized in one portfolio</li> <li>3. Create a good business image and reputation</li> <li>4. Outsource non-core business activities like marketing</li> </ol>
Make strategic adjustment	<ol style="list-style-type: none"> <li>1. Plan to overcome difficulties during low periods</li> <li>2. Prepare and plan for the worst scenario</li> <li>3. Be flexible in developing plans/contingency plans</li> </ol>
Weight costs and benefits	<ol style="list-style-type: none"> <li>1. Consider the benefits of investing in tech and R&amp;D</li> <li>2. Identify pros and cons of business activities to determine strategic actions</li> </ol>

Source: Babageidi (2019)

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### 2.1.2 Concept of Small and Medium Enterprises (SMEs)

Businesses whether small or big, simple or complex, private or public and others are created to provide competitive prices. Businesses in Nigeria have been classified as small, medium, and large. However, a small-scale industry can be explained by the criteria of project costs, capital, number of employees, sales volume, annual business turnover, and financial strength (Adeosun & Shittu, 2021). There is no single criterion for classifying business enterprises as small or medium scale globally. In a study carried out by the International Labour Organisation (ILO) (2021), over 50 definitions were identified in 75 different countries. However, evidence from the literature shows that in defining small-scale business, reference is usually made to some quantifiable measures such as the number of people employed by the enterprises, investment outlay, the annual turnover (sales), and the asset value of the enterprise or a combination of these measures. At the moment in Nigeria, following the 13th National Council for Industry, Trade and Investment (NCI, 2021) classification, small-scale businesses fall within the following categories of enterprises; Small-scale business, if the enterprise has a capital outlay of between ₦1.5million and ₦50million including working capital but excluding the cost of land and or workforce of between 11-100 employees. Generally, these enterprises engage in the production of light consumer goods that are primarily related to food and beverages, clothing, electrical parts, automotive parts, manufacture, leather products, soap and detergents, woodworks.

**Table 2. MSMEs Classification.**

S/N	Size Category	Employment	Assets (₦Million)
1	Micro Enterprise	Less than 10	Less than 10
2	Small enterprise	10-49	10 to less than 100
3	Medium enterprises	50-199	100 to less than 1,000

**Source:** SMEDAN National Policy on MSMEs (2022)

### 2.1.3 Small and Medium Enterprise in Southwest, Nigeria.

Southwest Nigeria has six states: Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo. It is mainly a Yoruba-speaking area, although there are different dialects even within the same state. Lagos State is the fastest growing city in West Africa. Lagos has the fifth largest economy in Africa, generating about 90% of Nigeria's overall trade flows, roughly 65% of the country's entire manufacturing sector, and approximately 10% of the country's GDP (Kalu & Peace, 2017). The Southwest states in Nigeria have one of the highest numbers of SMEs in the country with Lagos, Osun, Ogun, and Oyo states having the highest numbers by states across the federation (National Bureau of Statistics/SMEDAN, 2017). The Nigeria Bureau of Statistics (2019) reports SMEs in Nigeria have contributed about 55% of the national GDP in the last 5 years. With a total of about 17.4 million, they account for about 50% of the industrial jobs and nearly 90% of the manufacturing sector in terms of the number of enterprises. Lagos State, which is in the Southwest region of Nigeria, has the largest labour force, thereby putting the highest concentration of SMEs arguably in the region.

## 2.2. Theoretical Clarifications

### 2.2.1 Resource-Based Theory

The asset based hypothesis was created by Penrose in 1959. That's what the RBV recommends on the off chance that there seems indications of unpredictability and eccentricism in a business setting, firms ought to zero in on, and direct their uncommon assets for an upper hand to further develop firm execution as opposed to attempting to control or control outside pressures on the business (Kamasak, 2013). The primary contention of this hypothesis is that maintainable upper hand comes from a company's ownership of heterogeneous and stable assets that are significant, intriguing, and supreme. It hence proposes that distinctions in firm execution inside an industry are a consequence of the company's particular assets that won't be quickly imitated by its rivals. Penrose (1959) who established the RBV focused on that the compelling utilization of assets in pursuing administrative choices in a hierarchical setting, not just offers an unmistakable clarification of contrasts among business firms, yet additionally engages these organizations with remarkable benefit over contenders. Moreover, for a firm to acquire benefits to support the opposition, the transmission of these novel and uncommon assets to contenders ought not be permitted in light of the fact that making assets to stay scant and supreme will assist the firm with getting a supported predominance of prevalent returns (Penrose, 1959).

### 2.2.2. Management Skills Theory

Almeida and Buzady (2019) contend that administration expertise hypothesis centers around the executives school viewpoint that pointed on administrative abilities which empower an individual to takes advantage of monetary open doors in the

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climate and get financial increase. This hypothesis manages specialized part of the executives and accepts that business can be created and prepared. Business venture teachers and experts have advanced past the fantasy that business people are conceived, not made. In this way, business teachers have been tested with the errand of planning successful learning amazing open doors for possible business visionaries (Sammut-Bonnici, 2015). The Human Resources hypothesis and Opportunity based hypothesis were taken on for the review in light of the fact that the review is pointed toward deciding the effect of enterprising abilities on SMEs' presentation. Consequently, from the speculations perspective, people with more or higher human resources and who can likewise detect open doors will accomplish better execution while executing assignments. Innovative Skills is consequently, the accessibility of human resources and the open necessary door for better SME execution.

### 3.0 METHODOLOGY

This study adopted quantitative method. Quantitative methodology is suitable for testing the hypotheses, study mathematical relationship, statistical elements, and variable for a broad inquiry (Ketokivi & Choi, 2014). This study adopts a survey research design which is cross-sectional in nature. Primary data were collected from the population of the study using structured questionnaire. This type of research design is adopted because the information about the independent (explanatory) variables and dependent (explained) variables represents what is going on at only one point in time. Data were collected from the population of the study using survey questionnaire and analysed to report the finding at a point in time. The questionnaire was divided into five sections and all the questions were in close-ended form. In research design, the sample selection strategy is very important. As such, this study is designed to gain background information to establish the study priority and develop the research questions. Research design is necessary for effective and efficient research. This study adopted descriptive and exploratory study designs because these designs work together to discover theoretical differences as well as organised ideas. An exploratory method allows the researcher to contribute to the knowledge of the study by discovering new ideas of a phenomenon (Howell, 2013). From a population of 23,294 SMEs operating their businesses in all States of Southwest, Nigeria as of 2023 which comprises Lagos State, Oyo State, Ogun State, Ondo State, Ekiti State, and Osun State and are registered with SMEDAN (2023).

**Table 3. Population of SMEs in Southwest State of Nigeria.SMEDAN (2022)**

S/NO	Southwest State	Population
1	Lagos State	8,395
2	Oyo State	6,131
3	Osun State	3,007
4	Ogun State	2465
5	Ondo State	2,368
6	Ekiti State	928
	Total	23,294

Source: SMEDAN 2022 Policy report

Sample size of 393 were arrived at using Taro Yamani Formula of sample size determination. The questionnaire was of four sections -A, B, C and D. Section A, contains demographic information about the respondents such as gender, age, educational status amongst others. Section B measures career profile of respondents, section C is on questions relating to variables that denote strategic competency and the Section D is structured to generate responses on questions relating to data on relevant variables that connotes the performance of SMEs. The questionnaires are easy to fill, which they are to tick or mark ( ) as applicable to them, also based on a 5 point Likert attitude scale. Each level of scale was represented as 5, strongly Agree (SA), 4, Agree (A), 3, Undecided (U), 2, Disagree (D) and 1, Strongly Disagree (SD).

**Table 4: Proportionate Distribution of Sample Size**

S/NO	Southwest	Population	% of Population	Sample Size
	Lagos State	8395	36.03%	36.03% of 393 = 141
	Oyo State	6131	26.32%	26.32% of 393 = 103
	Osun State	3007	12.91%	12.91% of 393 = 51
	Ogun State	2465	10.58%	10.58% of 393 = 42
	Ondo State	2368	10.16%	10.16% of 393 = 40
	Ekiti State	928	3.98%	3.98% of 393 = 16
	Total	23294		393

Source: Researcher Computation (2023)

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This study is valid because it has been tested and corrected by experts at various academic units of the Universities and results were compared with previous studies. Cronbach's Alpha test was used to determine the study's reliability. A Cronbach's Alpha (or co-efficient alpha) of 0.7 and above is considered and this is also acceptable to business or management sciences research work. Analysis and interpretation was done with the use of IBM Statistical Package for Social Sciences (SPSS) Version 24 which confirmed that the instrument is reliable. The collected responses to the study were analyzed using descriptive statistics such as Simple Percentage, Mean and Standard deviation, Multiple Regression analysis and two-tailed sample test was adopted for the inferential statistical analysis to test the hypotheses and to analyze the relationship between dependent variable and independent variable of the study. Multiple Regression analysis tends to predict the relationship between the impact of strategies competency and performance of SMEs. The researcher also abide with the ethical principles of free and informed consent, anonymity independence, privacy and confidentiality, Data Protection Act (1998), involving the research of this nature.

### 4.0 PRESENTATION AND ANALYSIS OF DATA

#### 4 1: Data Analysis based on Hypotheses

The hypotheses of the study is strategic competencies have no significance on the Performance of SMEs. To test these hypotheses and achieve the objectives of the study, standard multiple regression analysis was used. Standard multiple regression is based on correlation but allows a more sophisticated exploration of the interrelationship among a set of variables.

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.584 <sup>a</sup>	.341	.331	2.32776

Source: Researcher's Survey, 2023

Specifically, the result of regression as contained in Table 6. From the output, there was a positive relationship between strategies competency and performance of SMEs. Based on the result, the null hypothesis is rejected, thus strategic competency has significant relevance on performance of SMEs.

Model		Sum of Squares	Df	Mean Square	F	Sig
1	Regression	1069.283	6	178.214	32.890	<.001 <sup>b</sup>
	Residual	2064.439	381	5.418		
	Total	3133.722	387			

a. Dependent Variable: Performance

b. Predictors: (Constant), strategic competency

The estimated F-value (32.890) as given in table 4.38 with significance value of 0.001, which is less than p-value of 0.05 ( $p < 0.05$ ); this implies the explanatory variable elements as a whole can jointly influence change in the dependent variable (performance). Furthermore, the table above further summarised the results of an analysis of variation in the dependent variable with large value of regression sum of squares (1069.283) in comparison to the residual sum of squares with value of 2064.439, this value indicate that the model does not fail to explain a lot of the variation in the dependent variables.

**Table 4.39 Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.183	1.145		13.262	<.001
Identify long term issues, problems or opportunities	-.741	.283	-.149	-2.615	.009
Be aware of the projected directions of the industry and how changes might impact the firm	1.103	.296	.238	3.728	<.001

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Redesign my business to better meet long term objectives and changes	-.126	.242	-.034	-.521	.006
Design strategy to prepare for the “worst scenario”	.395	.188	.121	2.099	.003
Monitor progress toward strategic goals	1.375	.232	.353	5.927	<.001
Align current actions with strategic goals	.706	.221	.166	3.194	.002

a. Dependent Variable: Performance

Source: Researcher’s Survey 2023

The regression Coefficients<sup>a</sup> presented in Table 4.39 show the influence of strategic competency on Performances. The result shows the independent variable strategic competency have a positive effect with the dependent variable. This is shown by their p-value (0.009, 0.001, 0.006, 0.003, 0.001 and 0.002) being less than the chosen 5% significance level (0.05). This reveals that While alternate hypothesis is accepted thus, there is a significant impact of strategic competencies on Performance of SMEs.

### 5.0 SUMMARY OF FINDINGS

The hypotheses revealed that strategic competence significantly affect performance of SMEs. Being the owner of the firm, the entrepreneur must set the direction for the whole firm. The study revealed that this category of competencies requires the entrepreneur to have a vision or a big picture in their mind for their business, to have clear goals to achieve, or to formulate and implement strategies to achieve these vision and goals. In essence, Strategies Competencies are related to setting, evaluating and implementing the strategies of the SME, while calling for abilities and skills from a broader and long-term perspective. This reveals that current action with strategic goals and the projected directions of the SME’s help to control performance. It also reveals that long term issues, problems or opportunities and progress toward strategic goals help the performance of SMEs.

### 6.0 CONCLUSION AND RECOMMENDATIONS

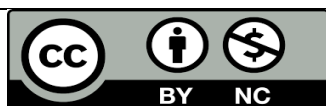
This study fills in the data vacuum by laying out the connection between essential skill and SME execution, with data in view of an example of enlisted little and medium undertaking in the district key capability significantly affect SME execution. This supports the discoveries of Al-Mamun and Zainol (2018). Accordingly, the report suggests that firm leaders foster positive associations among their staff consistently. Moreover, administrators ought to constantly propose key ability/targets that all SME representatives will make a solid effort to accomplish, as this might help upgrade execution. SMEs' proprietors should be tenacious individuals with a fretful mentality in their work. All in all, they should have areas of strength for an in thoroughly committing, deciding and devoting, as well as making proactive moves towards their obligations and obligations. This study was led in South west locale of Nigeria. From the review, it became obvious that in everyday more should be finished by proprietor/administrators of SME to have ideal execution. The general absence of procedures abilities has become significant obstruction to SMEs' presentation. In any case, Little and Medium Undertaking in Southwestern territories of Nigeria that need to enjoy a serious upper hand over others should take on, in their own exceptional ways, vital capability. In any case, considering the above SMEs ought to embrace vital skill through taking determined moves in their tasks as well as cautiously examining the accessible choices to expand the possibilities arrival into the most ideal choice since outcome in system is more because of plan than karma. The SME the board ought to continuously pursue cautious choices as well as taking sensible procedures which don't put them at additional unstable dangers. By and large, an essential capability separates a SME from rivals in their capacity to address client issues. Consequently, the review suggests that business visionaries ought to have an expertise, cycle or information that the SME has, have worth to the client and be hard for contenders to copy.

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