

A Critical Analysis of the Effects of Strategic Management on Small Scale Businesses; A case study of Patent Medicine Stores in Abuja, Nigeria

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Abstract

The impact of strategic management in businesses cannot be over-emphasised irrespective of the size or nature of the business. The strategy provides the key to success in today's changing business environment; hence, the success of a business can be traced to a well-pronounced factor, which is strategic management. As expressed by Jauch (2015), strategy formulation is a grand plan to be followed to achieve a set objective in small-scale businesses. For improved profitability and sustainability, small-scale businesses need to manage their operations intentionally.

To utilise the limited resources effectively for higher profitability, small-scale businesses need a strategy; when resources are finite, when there is uncertainty about competitive strength and behaviour, when decisions must be coordinated between far places and overtime, and when there is uncertainty about control of initiative Miller (2013). However, the study critically analysed the effect of strategic management on small-scale businesses of Patent Medicine Stores in Abuja, Nigeria, especially in the 21st century. The methodology comprises the research and questionnaire design, data collection and data analysis techniques. The researcher was able to retrieve 53 questionnaires out of 70 and test the hypothesis using the chi-square method. From the result after the research, the researcher discovered that strategic management has a great effect on small-scale businesses of patent medicine stores in Abuja, Nigeria.

Conclusively, business owners and managers must formulate policies and strategies if their businesses must continue to exist, serve and sustain competition.

Keywords: Management, Strategy, Business, and Strategic Management.

Introduction

The structure of a building is determined by its foundation and not by its façade; this is the same with businesses. The success of a business does not just boil down to the availability of resources, but it can be attributed more to proper management of all available resources. A well-structured and feasible strategic management makes goals easily achievable, thereby meeting customer needs perfectly. Coordination and administration of tasks to achieve a plan can be traced to management; thus, management is an administrative activity that includes setting the organisation's strategy and coordinating the efforts of staff to accomplish objectives through the application of available resources. Furthermore, strategic management involves the identification and description of the techniques that managers can apply to achieve better performance and gain a competitive advantage for their

organisation. An organisation has a competitive advantage if its profitability is higher than the average profitability of related companies within its industry and marketspace. To summarise, a strategic decision is crucial for the growth of any organisation.

Currently, in Nigeria, many small-scale businesses are not economically viable. This has resulted from poor management and a lack of innovation. A business that has a deficiency in creativity, planning, decision and excellent strategic management is bound to shut down Okanlahan (2018). Patent medicine stores (commonly referred to as chemist) are small stores or shops where drugs are sold over the counter. Many of the stores are owned by individuals who have the pharmaceutical knowledge and qualifications to run a chemist but lack business management skills. Giving control of businesses to non-strategic managers is a significant reason for the failed businesses.

Thus, owners are advised to dedicate required efforts in addressing these business gaps.

Another challenge that patent medicine stores face is the employment of incompetent workers due to financial constraints. O'level holders are being employed because they are affordable. Few medicine stores owners can no longer operate because of this act; the wrong drugs had been administered because amateurs are running the stores in the absence of competent hands. To correct this, other patent medicine stores have learnt from the gap and improved their service delivery. Amid all these, some stores still lag in strategic business management and thus, struggle in the competitive market.

For short term and long-term goals, actualisation managers or owners of small-scale businesses must see the importance of planning and put into consideration supporting factors that will contribute to the growth of the business. Small stores can expand; it all depends on how well it is managed (Hann K.O., 2020). A few factors that aid the growth of patents medicine stores in Abuja, Nigeria include; marketing techniques, innovation, technological development, business structure and administration. If these factors are not put in place, the business profitability will diminish hence, leading to the dissolution of the business.

While management is essential to any business, some stores have excellent knowledge of strategic management but lack application. To solve this, a professional can be employed, but only a few stores can afford this solution. Hence, to thrive as a patent medicine store owner, it is crucial first to acquire the right knowledge of the business, starting with the necessary technical foundation. It is also required to possess current management skills and formulate worthy goals that will sustain the business and engage qualified staff.

This study critically analyses the effect of strategic management on small-scale businesses of Patent Medicine Stores in Abuja, Nigeria. It reviews the impact strategic management has on the patent medicine stores in the same location. In the process of determining where a business will be in 3 to 5 years or more, the manager tends to have futuristic goals and works towards achieving them. Since this is planned, many dreams are cut short because of resources and few other threats.

While some other stores face market instability, there are records of other patents stores that are thriving and expanding.

Empirical Framework

One of the recent conceptual studies in Nigeria (Ujunwa & Modebe, 2012) advocated for the adoption of strategic management approach in ensuring capital market efficiency following the perceived pivotal role the capital market in economic development. The strategic measure they reviewed ranged from effective regulation to achieving favourable macroeconomic environment. They posited that these strategies will not only promote the efficiency of the capital market but will leverage the role of the capital market in promoting economic growth.

Bob Johnson (2005) argued with few colleagues on the possible effect that strategy has on business productivity. He explained that a business that is not strategically managed would face a great fall. From his findings, he realised many SME businesses run their business on-trend and are limited because only a few are open to change and upgrade in ways and manners of operation.

Askarany and Yazdifar (2012), investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organisational change theory, examined the relationship between the adoption of these techniques and organisational performance in both manufacturing and non-manufacturing organisations in New Zealand. The findings suggest a significant association between the diffusion of these relatively new strategic management tools and organisational performance.

Hypotheses are formulated to establish some facts.

H₀; the perception of patent medicine business owners has no significant effects on their business.

H₀; the perceptions of PM business owners have no significant effect on the adoption of strategic management.

H₀; Strategic Management has no significant effect on Patent Medicine Stores in Abuja, Nigeria.

Methodology

A research methodology is a general orientation or the research process framework to conduct research. A research methodology is available in two different categories: quantitative research and qualitative research (Gadafi, 2017).

For emergency and acute conditions, the medicine stores known as patent are recognised in Nigeria. To reduce the burden of disease and mortality, Africa is increasingly recognising the vital role that drug retailers play in delivering primary healthcare services. In Nigeria, owner-operated drug retail outlets known as patent and

proprietary medicine vendors (PPMV)s are the leading source of medicines for acute conditions. A greater understanding of the role of PPMVs and the quality of care they provide is needed to inform ongoing national health initiatives that aim to incorporate PPMVs as a delivery mechanism.

Abuja, the federal capital territory of Nigeria has been chosen as the case study with six local governments. For this study, the sampled population of 21 patent medicine stores with 61 respondents were selected in the Bwari Local Government in the following areas;

Table 1. Sample population (Bwari Local Government)

S/N	Location	Numbers of Stores	Respondents
1	Camp	2	5
2	Dawaki	3	12
3	Dutse	3	5
4	Kogo	4	10
5	Kubwa	6	20
6	Ushafa	3	9
	TOTAL	21	61

A descriptive survey design was used for this study to collect detailed and factual information that describes the subject matter. Data was compiled based on the concepts defined in the research model, and hypotheses were tested. The instrument used for data collection was questionnaires, and each question was directed at getting the perception of the respondents on the application of strategic management and its effect on business growth and development.

Questionnaires are extremely flexible and could be used to gather information concerning almost any topic, from small to a large number of people (Moore, 1987 cited in Olatokun and Gbinedion, 2009). The hypotheses testing was carried out with chi-square.

Results

Chi-square

Percentage analysis was used to answer the two (2) research questions raised while chi-square [X^2] inferential statistics were applied to test all the research hypotheses at $\alpha = 0.05$ level of significance. According to Ali (2006), sighted in Ismael (2020), “chi-square (χ^2) test was used in data analysis or treatment if such data are discrete and the variances are independent or unrelated to one another.” Furthermore,

Ogblechi (2013) elaborated on the conditions and merits of applying chi-square statistics to data analysis; thus; the chi-square test is most appropriate where a study is of a non-parametric statistical nature. It is used for treating data consisting of frequency counts. It permits the researcher to determine whether a significant difference exists between the observed number of cases falling into each category and the expected numbers based on the null hypotheses. The fundamental question answered by the chi-square test analysis is whether the frequencies observed in a sample deviated significantly from theorised population frequencies.

Percentage calculation was based on the mathematical relation/formula:

$$\text{Percentage (\%)} = \frac{x}{N} * 100/1$$

Where:

X = Number of Responses in favour/against each item

N = Total number of Respondents

100 = Constant

* = Symbol for multiplication

The chi-Square calculation was carried out using the formula:

$$\text{Chi-Square } (X^2) = \frac{\sum (f_o - f_e)^2}{f_e}$$

Where: X^2 = Chi-Square
 f_o = Observed frequencies
 f_e = Expected frequencies

Research decisions were made based on the following criteria

- [a] If percentage value of x , that is $(x \%) \geq 50$, then item is accepted or agreed with as being “true” and
- [b] If percentage value of x , that is $(x \%) < 50$, then item is rejected or disagreed with and therefore regarded as “false.”

[c] If the value of X^2 -Calculated is greater than X^2 -Tabulated, that is [X^2 -Cal. $>X^2$ -Tab.], then H_o would be rejected/ignored, and consequently, H_1 would be accepted.

[d] If the value of X^2 -Tabulated is greater than or equal to X^2 -Calculated, that is [X^2 -Tab. $\geq X^2$ -Cal.], then H_o would be accepted, and consequently, H_1 would be rejected/ignored.

Note: H_o =Null Hypothesis and H_1 =Alternative Hypothesis.

Section 1: Perception of patent medicine store owners to business

Q1. The following is a list of possible ways patent medicine store owners may view a business. Using the scale below, please indicate the extent of your agreement or disagreement with the statement below.

Table 2

Perception	Disagree		Agree		Remark
a. My business is majorly established to make profit	12	19.7	49	80.3	Agree
b. My business is run for charity as my goods are to save lives	53	86.9	8	13.1	Disagree
c. My business is established to make a profit and to fulfil social responsibility	28	45.9	33	54.1	Agree
	93		90		
AVG	31		30		

Section 1: Perception of patent medicine store owners on strategic management

Q1. The following is a list of possible ways patent medicine store owners may view strategic management. Using the scale below, please indicate the extent of your agreement or disagreement with the statement below.

Table 3

Perception	Disagree		Agree		Remark
a. Strategic management involves excellent planning and controlling of business activities that will improve profitability thus; it is essential for business survival	7	11.5	54	88.5	Agree
b. Strategic management is not a priority when the owner has the resources to fund the business.	21	34.4	40	65.6	Agree
c. Strategic management is expensive to adopt as a business owner, thus, a traditional method of running the business help sustainability	34	55.7	27	44.3	Disagree
	62		121		
AVG	20.7		40.3		

Section 3: The effect of strategic management on Patent medicine stores in Abuja, Nigeria

Q3. The following is a list of how strategic management can affect patent medicine stores

Table 4

Trust	Disagree		Agree		Remark
a. Patent Medicine stores are assured of expansion and improved profitability with excellent strategic management	4	6.6	57	93.4	Agree
b. Effective decision and efficient performance is the result of strategic management	14	23.0	47	77.0	Agree
c. Patent medicine store rightly applying strategic management stays long in business	8	13.1	53	86.9	Agree
d. Good strategic management of medicine stores rightly appraise and promote the medical knowledge of the owner	16	26.2	45	73.8	Agree
	42		202		
	10.5		50.5		

Source: Researcher's fieldwork (2020)

NOTE: Data in Tables were generated by using percentage calculations as follows:

For Item 1: Agree = $[a/61] \times 100\% = a\%$

Disagree = $[a/61] \times 100\% = a\%$

N.B:

(1) **Sample size** = 61

(2) The calculation was applied to all data generated in each case in each table

Discussion

The Tables above provided the data for answering research question one, two and three. All the items relating to perceptions towards business and strategic management were accepted except the second (2nd) and third (3rd) item in question one and two, respectively. The relative effects of the items are as follows: businesses are mainly established to make a profit (80.3%); businesses are not run for charity (86.9%); businesses are established to make a profit and also to fulfil social responsibility (54.1%). All items relating to the perception of strategic management are as follows; strategic management involves excellent planning and controlling of business activities that will improve profitability; thus, it is essential for business survival (88.5%). Strategic management is not a priority when the owner has the resources to fund the business. (59.0%),

Strategic management is not expensive to adopt as a business owner; thus, the traditional method of running the business does not help sustainability (60.7%); the items relating to the effect of strategic management are as follows; Patent Medicine stores are assured of expansion and improved profitability with excellent strategic management (93.4%). Effective decision and efficient performance are the result of strategic management (77.0%). Patent medicine store rightly applying strategic management stays long in business (86.9%) and good strategic management of medicine stores rightly appraise and promote the medical knowledge of the owner (63.8%).

Test of Research Hypotheses

H₀; the perception of patent medicine business owners does not have a significant effect on their business

Table 5. Test of X² Computations for H₀, Inference and Decision Made (Data Extracted from Table 1).

Responses	Fo	Fe	(fo – fe) ²	(fo-fe) ² /fe	Inference
Agree [%]	31	30.5	0,25	0.008	X ² -Cal > X ² -Tab
Disagree [%]	30	30.5	0.25	0.008	
Total	61	61	-	0.016	DECISION
X ² -Calculated = 0.016			X ² -Tabulated = 3.84		Reject H ₀

NOTE: DF = 1	$\alpha = 0.05$	Accept H_1
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Source: Researcher's fieldwork (2016)

Table 12 showed that X^2 -Calculated = 0.016 while X^2 -Tabulated = 3.84 (Minium, King & Bear, 1993). This gave the inference [X^2 -Cal.> X^2 -Tab.]. We, therefore, rejected the alternate hypothesis (H_1) which states, "the perception of patent medicine business owners does have a significant effect on their business" and accepted the null hypothesis (H_0) which states "the perception of patent medicine business owners does not have a significant effect on their business." This result empirically

seems to be argued as it is a general notion that personality has a lot to do with your business. Thus, the rejected alternate hypothesis should be accepted, and the null hypothesis rejected. The researcher suspects that an item needs to be deleted to get this fact. Thus, this is open to further practical and empirical research or findings.

H_0 ; the perceptions of patent medicine business owners have no significant effect on the adoption of strategic management

Table 6. Test of X^2 Computations for H_{02} , Inference and Decision Made (Data Extracted from Table 2)

Responses	fo	Fe	$(fo - fe)^2$	$(fo-fe)^2/fe$	Inference
Agree [%]	20.7	30.5	96.04	3.15	X^2 -Cal > X^2 -Tab
Disagree [%]	40.3	30.5	96.04	3.15	
Total	61	61	-	6.30	DECISION
X^2 -Calculated = 6.30			X^2 -Tabulated = 3.84		Reject H_0
NOTE: DF = 1			$\alpha = 0.05$		Accept H_1

Source: Researcher's fieldwork (2016).

Table 13 showed that X^2 -Calculated = 6.30 while X^2 -Tabulated = 3.84 (Minium, King & Bear, 1993). This gave the inference [X^2 -Cal.> X^2 -Tab.]. We, therefore, rejected the null hypothesis (H_0) which states that " H_0 ; the perceptions of patent medicine business owners have no significant effect on the adoption of strategic management" and accepted the

alternative hypothesis (H_1) which stated that " H_0 ; the perceptions of Patent Medicine business owners have a significant effect on the adoption of strategic management."

H_0 ; Strategic Management has no significant effect on Patent Medicine Stores in Abuja, Nigeria.

Table 7. Test of X^2 Computations for H_{02} , Inference and Decision Made (Data Extracted from Table 2)

Responses	fo	Fe	$(fo - fe)^2$	$(fo-fe)^2/fe$	INFERENCE
Agree [%]	10.5	30.5	400	13.11	X^2 -Cal > X^2 -Tab
Disagree [%]	50.5	30.5	400	13.11	
Total	61	61	-	26.22	Decision
X^2 -Calculated = 26.22			X^2 -Tabulated = 3.84		Reject H_0
NOTE: DF = 1			$\alpha = 0.05$		Accept H_1

Source: Researcher's fieldwork (2016)

Table 13 showed that X^2 -Calculated = 26.22 while X^2 -Tabulated = 3.84 (Minium, King & Bear, 1993). This gave the inference [X^2 -Cal.> X^2 -Tab.]. We, therefore, rejected the null hypothesis (H_0) which states "strategic management has no significant effect on patent medicine stores in Abuja, Nigeria" and accepted

the alternative hypothesis (H_1) which stated, "strategic management has a significant effect on patent medicine stores in Abuja, Nigeria."

Conclusion

The use of the newest technologies in businesses today has made the market highly

competitive. Thus, any patent medicine store that fails to upgrade and serve as a strategic system for ensuring an efficient and trustworthy distributor or retailer certainly has no future. Strategic management enables easy decision making, flexible control and planning of resources to yield result. From the findings, it was observed that 87% of the respondents appreciate the value of strategic management and practically applied it. 67% of the respondents in Kubwa approved the adoption of strategic management and confirmed its successful result; 48% of the respondents in Dawaki assumed adopting strategic management is expensive. For the respondents at Ushafa, the researcher observed that they believed in the profession rather than the business. The size of the business is not as big as those who practically adopt strategic management. Thus, the study recommends that a significant percentage of store owners should be educated on strategic management.

Due to the massive increase in the number of patent medicine stores both in rural and in urban areas, it is imperative to conclude that business owners not only require financial backing, but they also need basic training and technological awareness to help improve their businesses. This is because the success of every business will contribute to the development of the economy.

However, it is a sad story that despite the commendable work carried out by most researchers in ensuring a better system; lack of awareness of this pioneering development has influenced the non-adoption of strategic management as such, a larger population of the country that are into similar businesses struggle for success. Concerning this reality, further research is needed to close the gaps observed in the study. Increasing the population to two to three local government areas should present a broader view of this study and provide more opinions.

Finally, the researcher also observed that the level of exposure in these settlements goes a long way in determining the adoption of strategic management thus; proper awareness of the benefit of strategic management in small-scale businesses will curb these challenges. The subsequent studies may look at the understanding of strategic management in business in rural areas.

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