Effect Of Growth Strategies On The Performance Of Small And Medium Scale Enterprises In North Central Nigeria

[1]MOHAMMED, Kazeem Adekunle, [2]OHIDA, Ibrahim Yusuf, Ph.D& [3]IBRAHIM, Abdullahi Ahmed, Ph.D
[1,2&3]Department of Business Administration, Nasarawa State University, Keffi – Nigeria.

Abstract
This study investigates the effect of growth strategies on the performance of small and medium enterprises (SMEs) in some states North Central Nigeria (including FCT-Abuja, Kogi, Nasarawa, and Niger States). SMEs in this region are vital for economic growth and employment but face challenges due to a lack of tailored growth strategies. The research objectives are to evaluates the effects of combing product development and market penetration strategies on SME performance. Utilizing a survey causal research design and data from 440 SMEs, analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM), the study finds that both product development and market penetration strategies significantly enhance SME performance, with market penetration having a stronger effect. The findings align with previous studies and suggest that SMEs should prioritize market penetration while also investing in product development. The study recommends that SMEs in North Central Nigeria should invest in and prioritize product development strategies to improve performance. Also, SMEs should focus on robust market penetration strategies to significantly boost their performance.
Keywords: *Growth Strategies, Product Development Strategy, Market Development Strategy, SMEs*

INTRODUCTION

Small and Medium Enterprises (SMEs) have been accepted worldwide as instruments of economic growth and development. They are businesses whose personnel numbers or financial turnover fall below certain limits. These enterprises are characterized by their relatively small scale of operations compared to larger firms, often defined by employee count, revenue, or assets. SMEs play a critical role in the economy, driving innovation, creating jobs, and contributing to GDP growth. They are typically more flexible and adaptable than larger corporations, allowing them to respond swiftly to market changes and consumer demands. These enterprises represent over 90% of the business population, 60-70% of employment and 55% of Gross Domestic Product (GDP) in developed economies. This contribution is as high over 60% of GDP and 70% of total employment in low-income countries, and over 95% of total employment and about 70% of GDP in middle-income economies (Ammad & Sadaf, 2017, Bayraktar & Algan; 2019, Pedraza, 2021, Ogunsanwo, & Kazeem, 2022). With the high rate of formal unemployment, and a bloated informal sector, SMEs have continued to play an indispensable role in the nation's socioeconomic wellbeing, creating jobs and boosting GDP.

Small and Medium Enterprises (SMEs) in Nigeria play a crucial role in the country's economic development, significantly contributing to GDP and employment. These businesses, defined by their smaller workforce and moderate revenue, operate across various sectors such as manufacturing, services, and agriculture. Despite facing challenges like limited access to finance, inadequate infrastructure, and regulatory barriers, Nigerian SMEs demonstrate resilience and innovation. To support these enterprises, government initiatives and financial institutions are working to alleviate these issues, creating a conducive environment for SMEs to thrive and drive sustainable economic growth (Salami, et al., 2023).

Growth strategies have drawn significant attention among scholars within the past decades. However, scholars have not arrived at consensus on the concept growth strategies. This is because growth strategies depend on several factors including the purpose of the strategies, timing, the industry and the types of strategies involved. Zulfikar and Sukapto (2024) see growth strategy as a means in which organisations plan in order to achieve its objectives, which are to increase firms' size, activity volume, and turnover in terms of sales. Growth strategies are normally adopted to expand from business operations through market penetration, diversifying products, services or stages of production to the existing business in order to improve and increase its venture into entities that are different from the current operations.

Nafula (2017) expressed that for "enterprises to remain relevant in national development, they need to develop strategies that will help them develop and sustain their competitiveness". Innovation is a strategic issue among SMEs in Nigeria, and it would have been a reaction to its competitive business environment. Developing growth strategies is a cardinal factor in enterprise's performance- relative to sales growth (Kiraka, 2009; cited in Onogwu & Ja'afaru, 2020).

Product development involves a complex coupling between market needs and technologies and is a potential source of competitive advantage for a firm. With intensified competition, firms increasingly compete on the basis of a sophisticated research and development (R&D) cooperation network applying dispersed knowledge from around the world (Junfeng, et al., 2015). Market penetration is both a measure and a strategy. A business will utilize a market penetration strategy to attempt to penetrate in an existing market. The goal is to get in quickly with the product or service and capture a large share of the market. It offers the organizations an opportunity to increase both their sales as well as revenue. Market penetration strategy is the least risky since it leverages many of the firm's existing resources and capabilities (Anyanga & Nyamita, 2016).

SME performance for a long time have been considered as engines of economic development in many countries, where the roles of SMEs have been commendable in terms of innovation, economic growth and job creation. Satrovic, et al. (2020) is on the concerned of the condition in which SME operates, which is usually influenced by the environmental factors, stand as a subject of persistent argument. This study however concentrated on the use of product development strategy and market penetration strategy as they are peculiar to emerging markets or economies such as we do have among the Nigerian SMEs.

Small and medium enterprises (SMEs) are crucial for economic growth and job creation but face numerous challenges affecting their performance and sustainability. A key issue is the lack of tailored growth strategies that suit the unique needs and contexts of these SMEs, limiting their potential to contribute effectively to the region's economic development. Owners and managers often fail to develop and implement effective growth strategies due to limited access to strategic guidance and resources. Consequently, these enterprises struggle to navigate dynamic markets, characterized by changing consumer preferences, technological advancements, and complex regulations, which hampers their ability to identify and seize growth opportunities, thereby affecting their competitiveness and long-term performance.

Previous research on growth strategies and SME performance such as Jackson and Muirigi (2019), Carolyn and Elishaba (2019), Sande and Tabitha (2020), Evan, et al. (2020), Omosa, et al. (2022) and Adamu (2023) explored various factors such as risk-taking, creativity, business diversification, location, and market strategies. However, there has been no comprehensive study that combines product development and market penetration strategies specifically for SMEs in some states in North Central Nigeria. This study addresses this gap by evaluating the impact of these combined growth strategies on the performance of selected SMEs in these states of North Central Nigeria, providing new insights into the relationship between growth strategies and SME performance in this region.

The primary objective of this research work is to examine the effect of growth strategies on the performance of small and medium enterprises in North Central Nigeria. The study, by the following stated hypotheses for confirmation:

H_{O1}: Product development strategy has no significant effect on the performance of SMEs in North Central Nigeria.

H_{O2}: Market penetration strategy has no significant effect on the performance of SMEs in North Central Nigeria.

LITERATURE REVIEW

Concept of Growth Strategies

Growth strategy can be described as a policy focused on maximizing gains while minimizing risks and negative consequences (Asenge & Asue, 2020). Growth strategies adopted by businesses are either internal or external. Internal growth strategies are those in which a firm plan to grow on its own, without the support of others. On the other hand, external growth strategies are those in which a firm plan to grow by combining with others. In the fast-expanding economies of today, adoption of growth strategies by business enterprises is a must for the survival, in the long-run; lest they should be swept away by environmental influences, especially competition, technology and governmental regulations. Growth Strategy is aimed at winning larger market share, even at the expense of short-term earnings through diversification, product development, market penetration and market development (Ejoor, et al., 2018). Growth can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Gupta et al., 2013).

Growth strategies encompass a range of deliberate actions and initiatives undertaken by companies to expand their business operations and increase market share. These strategies can include market penetration, where firms aim to gain more customers or increase product usage among existing customers; market development, which involves entering new markets or market segments with existing products; product development, focusing on introducing new products or improving existing ones to meet evolving customer needs; and diversification, where firms expand into new products or industries unrelated to their current offerings to spread risk and capitalize on new opportunities (Hitt, et al., 2023).

According to Nagle, et al. (2021), growth strategies can be viewed as strategic approaches aimed at achieving sustainable revenue and profit increases over time. These strategies may involve mergers and acquisitions to combine resources and capabilities, strategic alliances or partnerships to access new markets or technologies, or intensive organic growth through innovation and operational efficiencies. From the perspective of Grant (2019), growth strategies are proactive plans designed to enhance a company's competitive position and financial performance by expanding its customer base, geographic presence, or product offerings. These strategies are essential for firms seeking to achieve long-term growth and shareholder value while navigating competitive pressures and market dynamics.

Product Development Strategy

Product development strategy is essential to influence customer in their buying behaviour. In fact, the strategy for high involvement product needs stronger persuasion to influence the customer (Bernritter et al., 2017). The suitable product development strategy will likely direct customer to choose the product. Consequently, the producer has to identify the appropriate strategy to their products. Product development provides firms to operate in line with the trend of the market changes, which support firms to update and or create a new product that will improve firm competitive advantage and enhance performance (Sidi et al., 2018). Namusonge et al (2017) posited that strategic product development practices have a positive and significant influence on financial performance. Successful products need a strong product development team to conduct practices that foster the success of developed products.

Product development strategy refers to the systematic approach a company takes to innovate, design, and introduce new products or enhance existing ones to meet market demands and achieve competitive advantage. This strategy encompasses the entire lifecycle of product creation, from ideation and research to prototyping, testing, and market launch. It involves aligning technological capabilities, market insights, and customer needs to drive sustainable growth and profitability (Tidd, et al., 2021). Ulrich, et al. (2020) also opined that product development strategy can be viewed as the strategic roadmap that guides a firm's decisions and actions in transforming ideas or concepts into tangible offerings that address specific market needs. It involves balancing risk and return by investing resources in innovation and R&D activities aimed at creating differentiated products that resonate with target customers while anticipating future market trends and competitive dynamics. This strategy is crucial for firms aiming to stay ahead in dynamic markets characterized by rapid technological advancements and evolving consumer preferences.

Market Penetration Strategy

Marketing strategy is the plan that is designed to enter the market to attract new customers, and it is thus the process that allows companies to occupy their limited resources in suitable opportunities to increase sales and to reach competitive advantages (Morgan et al, 2019). The marketing strategy is the strategy that deals with product development, through pricing, services, and product promotion to achieve effectiveness and efficiency in performance, in addition to achieving profitability and achieving a competitive advantage, and thus ensuring its survival and continuity in the work (Peterson & Crittenden, 2020). From the perspective of Hooley, et al. (2022), market penetration strategy involves strategic initiatives to increase the market share of a company's products or services through various methods such as increasing advertising, offering price incentives, or improving distribution efficiency. The primary objective is to capitalize on existing market opportunities and maximize revenue potential without necessarily introducing new products or entering new markets, thereby reinforcing the company's position in its current operating environment. Market penetration strategy refers to the approach a company adopts to increase its market share for existing products or services within current markets. This strategy typically involves intensifying sales efforts, expanding distribution channels, or enhancing promotional activities to attract more customers from competitors or to stimulate greater usage among current customers. The goal is to deepen the company's presence in its current markets by leveraging its existing offerings effectively (Kotler & Armstrong, 2021). According to Jobber and Ellis-Chadwick (2020), market penetration strategy can be seen as a tactical plan aimed at gaining a larger foothold in a specific market segment through aggressive pricing, product bundling, or targeted marketing campaigns. By focusing on increasing sales volumes among existing customers or converting non-users, companies seek to maximize revenue potential and achieve economies of scale that improve profitability and competitive position.

Small and Medium Enterprise (SME) Performance

The term performance is not a new concept in the field of business study (Aminu & Shariff, 2015). Though many performance measurements exist, there has not been consensus among researchers with respect to its definition. SME performance is a measure that describes the health of an SME that may not only depend on the efficiency and effectiveness but also on the market where the SME operates according to Onyenma (2019). Laitinen (2002) cited in Onyenma (2019) defined performance as an ability of an object to produce results in a dimension determined priority, in relation to a target. Business performance can be defined as the organization's ability to attain its goals by using resources efficiently and effectively" or as "the ability of the organization to achieve its goals and objectives". It is also a measure of the change of the state of an organization or the outcomes that result from management decisions and the execution of those decisions by members of the organization. Organizational performance is considered to be the sum of accomplishments that have been achieved by all departments. The organizational goals that have been set in a given period, outline its accomplishments that are involved in each stage (Oloda, 2017; Clinton & Salami, 2021).

Empirical Review

Omosa, et al. (2022) conducted empirical study on the role of product development strategy on performance of tea factories in Kenya. The objective of the study was to establish the effect of market development strategy and performance of selected tea factories in Kenya. The study was anchored on the Ansoff Matrix theory and Agency theories. A descriptive research design was adopted and used in this study. KTDA has seven regions comprising of 69 factories with 1506 management staff. This study purposively selected Kisii and Kericho Highlands regions. The population of the study was 701 with a sample size of 364 obtained using Yamane's (1967) formula. Simple random sampling was used to get specific respondents. Cronbach's Alpha coefficient was used to test reliability which had an overall coefficient of 0. 903. The study findings indicated among others that various processes are needed for product development which can be adopted from industry practices and that there was a significant relationship between product developments of firms and performance. The concluded that product development strategy in tea factories has significant effect on performance of these factories however various processes are needed for product development which can be adopted from industry practices. The study recommended that the management need to promote creativity among various product development processes by investing in new and viable ideas, putting more funds to the research and development department so as to enable it come up with new products that can cope with the global market.

Carolyn and Elishaba (2019) study sought to determine the influence of product development strategy on performance of middle level chain stores. The research did adopt a descriptive research design. The population of the study comprised of three middle level retail stores. The retail stores selected for this study include Uchumi, Tuskys and Naivas supermarkets. A questionnaire was used to collect data. The population of study was chain stores in Nairobi City County that are operational. The consisted of 65 respondents who are the employees of the chain stores. A census was conduct in the study. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. The study established that product development strategies employed by middle level retail chain stores in Nairobi City County positively and significantly influenced their performance. The study concluded that the retail chain stores were performing except Uchumi whose financial status is still poor. Further the study concluded that the firms engaged similar strategies and shared market segments. The study recommended among others that the middle level retail chain stores need to improve their branding, packing and perceived new product development through rebranding to enhance their sales performance.

Sande and Tabitha (2020) empirically analysed the influence of product development on organisational performance of public universities in Kenya. The study objective was to investigate the influence of product development strategy on the organizational performance of public universities in Kenya. The study was grounded on the resource-based view theory and the structure-conduct-performance framework. The study employed a cross sectional survey design (comparative analysis) involving the total population (census) of the 33 public universities in Kenya. The respondents were staff from marketing, planning and strategy, finance and administration departments of the universities. Data was collected through semi-structured research questionnaires. Data was analyzed through descriptive statistics and inferential statistics including regression analysis and correlation to establish the potential relationship between the dependent and independent variables. The study found that product development has a positive influence on the performance of public universities. Public universities have process innovation through parallel-programs that promotes customer acquisition as well as product replacement programs such as distance learning and virtual leaning to reach out to distance students. The study recommended that public universities should established academic exchange programs with international universities for boosting positive word of mouth as only a few universities have established the exchange programs.

Jackson and Muirigi (2019) study aimed at investigating the influence of market penetration strategy on the performance of Telkom Kenya Limited in Nairobi City County. The study adopted a descriptive research design. The selected target population was Telkom Kenya Limited in Nairobi Region. The total population was 75 respondents comprising of 5 marketing managers and 70 support staff. This study carried out a census of 75 respondents. Primary data was collected using questionnaires comprising of both structured and unstructured questions. Questionnaires were piloted to 10 respondents who were not included in the final study to assess the validity and reliability of the instruments. Validity was assessed using content validity and reliability was tested using Cronbach Alpha test. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation and presented using tables, figures and charts. Inferential statistics were analysed using correlation analysis and multiple regression analysis. The study examined that market penetration strategy had a significant influence on the performance of Telkom Kenya Limited. The study concluded that Telkom Kenya takes advantage of low prices to increase product demand and increase market share through market penetration strategy. The study recommended that for effective implementation of market penetration strategy, Telkom Kenya should keep on adjusting the price to increase sales as lowering prices is an effective tactic to attract potential customers.

Evan, et al. (2020) conducted empirical study on the effect of market penetration management strategies on performance of Small Enterprises in Migori County, Kenya. The objective of the study was to find out the effect of market penetration strategies on the performance of small enterprises in Kenya. The study used descriptive survey design. The study was conducted in Migori County, Kenya. The target population was 4997 which were businesses registered by the department of Trade of Migori County in 2019. A sample of 481 individuals were interviewed. This number was derived using Yamane sampling model. Data was collected from business owners with the help of a structured questionnaire. The researcher used Cronbach's alpha coeffect to test the reliability of the study instrument. Data was sorted, sorted and entered using a statistical software program for social sciences (SPSS). A simple linear regression was used to test the relationship between market penetration management strategies and performance of small enterprises in Kenya. Pearson Product Moment correlation was employed in testing the strength of the relationship between market penetration management strategies and growth of small enterprises in Kenya. The study found that there is significant correlation between market penetration management strategy and performance of small enterprises in Kenya. The study concluded that most small enterprises had put into practice market penetration management strategies. This was a conclusion made after a proper analysis of the data gathered by the researcher from the field. The study also established a significant effect of market penetration management strategies on the performance of small enterprises Kenya. The study recommended that small enterprises need to adopt market penetration management strategies. This will help them in the long-term survival and improved performance in the competitive world.

Adamu (2023) study examined the effect of market penetration and product development on performance of Medium Enterprises in North Central, Nigeria. Primary data from a sample of three hundred and eighty-four (384) respondents from the selected medium enterprises who are manager or owners were utilized for the study. The data collected were analyzed using multiple linear regression analysis. The study hypotheses were tested using the probability value of the regression estimates. The result of the study showed that Market Penetration (MKTP) has a positive effect on the performance of Medium Enterprises (PFOM) in North Central, Nigeria and the effect is statistically significant but not in line with a priori expectation. The study concluded that when well thought out and executed properly, market penetration has been shown to bring about a positive and significant effect on the performance of medium enterprises in North Central Nigeria. The study recommended among others that product development should be carried out with the customer in mind as wrongly developed product without sound market research to know the most important products that consumer need will have a negative effect on the performance of medium enterprises in North Central, Nigeria.

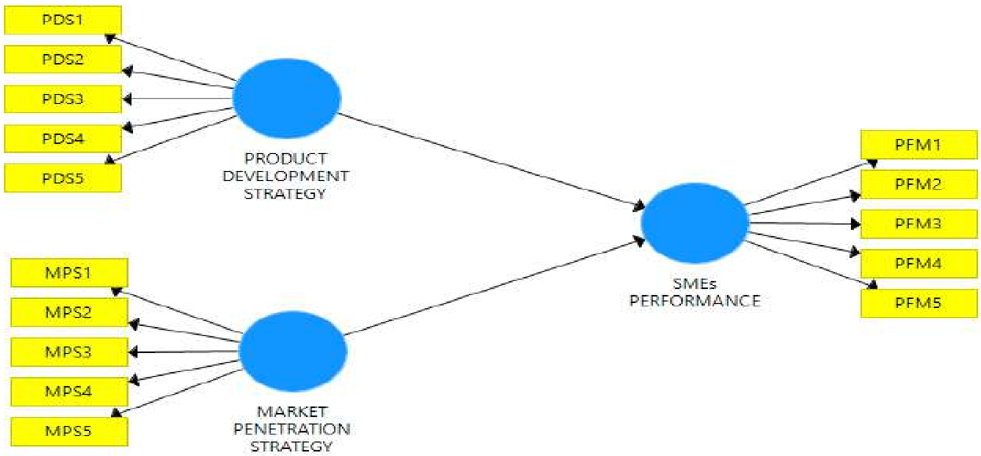
Theoretical Framework

The study was anchored on the Ansoff theory or using Ansoff who studied 100 largest United States organizations from 1909 to 1948 found out that the companies that stuck to their traditional products & strategies skilled growth (Ansoff, 1957), as cited by Njuguna (2019). He asserted that organizations can diversify either vertically, horizontally, or laterally. A firm that diversifies vertically is going back to the manufacturing of inputs inclusive of raw substances, additives elements & new product introduction. Ansoff Growth Theory offers a structured and comprehensive framework for analyzing growth strategies, making it highly relevant for studying the effect of these strategies on Small and Medium Enterprises (SMEs) performance. This theory categorizes growth strategies into four main quadrants: market penetration, market development, product development, and diversification, providing SMEs with a clear roadmap to explore and pursue growth opportunities. By adopting Ansoff Growth Theory, study systematically examine how SMEs deploy these strategies to expand their market presence, diversify their product offerings, or enter new markets.

METHODOLOGY

The study adopts survey causal research design. This is in line with the direction of the research in determining the effect of factors of growth strategy on performance. The population of this study is all owner-managers of SMEs operating across the North-Central States of Kogi State is 12,517, Nasarawa State is 8,187, Niger State is 15,096, and the FCT-Abuja is 24,346. The states of Kogi, Nasarawa, Niger, and the Federal Capital Territory (FCT) Abuja were selected for the study because they collectively represent a significant portion of the north-central region's SME population. This diverse selection provides a comprehensive overview of SME operations and their growth strategies in a key economic zone of Nigeria. According to data from NBS/SMEDAN (2021), these states account for a total of 60,146 businesses, offering a robust sample size for analyzing the impact of innovation on SME performance. With the aids of Smith's (1984) formula, a sample size of 400 SMEs was derived and adding 30% attrition, the study distributes a total number of 440 questionnaire to the study area. Data were collected from sample respondents in the form of their views and opinions to closed-ended statements with the study variables containing closed-ended statements based on the 5-point Likert response scale. The collected data from the study survey utilise in the estimation of a path model, based on the Partial Least Squares Structural Equation Modelling (PLS-SEM) approach. The specify model of the study extends the expression of SME Performance (PFM) as a function of Product Development (PDS), and Market Penetration (MPS).

Figure 1: Theoretical Model on the Effect of Growth Strategies on the Performance of SMEs in North-central, Nigeria.



Source: SmartPLS Output 2024

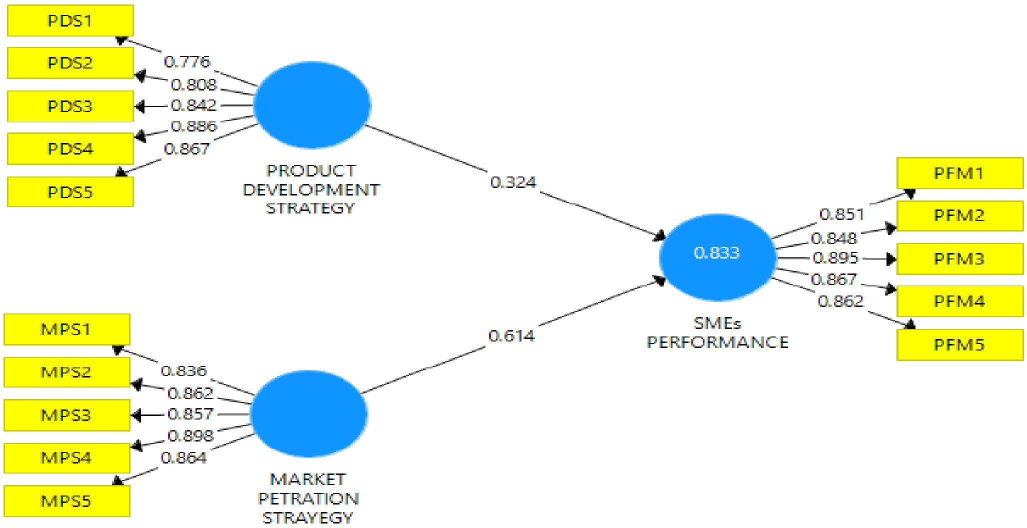
RESULT AND DISCUSSION

The study administers 440 copies of questionnaire to selected SMEs owners/managers who were available on the ground and accepted to participate in the survey out of which 411 were duly filled and returned representing a response rate 93.4%. preliminary check for missing values, outliers and bias test was conducted and the result shows that there is no missing values, outliers and bias responses.

The Measurement Model:

In assessing the measurement model, the outer loadings are assessed first and a s a rule loading above 0.70 are accepted as they indicate the construct explains more than 50% of the indicator's variance, thus providing acceptable item reliability (Hair, et al., 2019).

Figure 2: Indicator Outer Loadings



Source: SmartPLS Output 2024

Table 1: Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Market Penetration Strategy	**0.915**	**0.916**	**0.936**	**0.746**
Product Development Strategy	**0.892**	**0.898**	**0.921**	**0.700**
SMEs Performance	**0.916**	**0.916**	**0.937**	**0.748**

Source; SmartPLS Output 2024

Table 1 presents measures of construct reliability and validity for three constructs: Market Penetration Strategy, Product Development Strategy, and SMEs Performance. Each construct exhibits high internal consistency, as indicated by Cronbach's Alpha values of 0.915, 0.892, and 0.916, respectively, all of which are well above the acceptable threshold of 0.70. Similarly, the rho_A values for each construct (0.916, 0.898, and 0.916) confirm this high reliability. Composite reliability scores for all constructs are also high (0.936, 0.921, and 0.937), suggesting that the constructs are measured with great precision. The Average Variance Extracted (AVE) values are 0.746 for Market Penetration Strategy, 0.700 for Product Development Strategy, and 0.748 for SMEs Performance, all exceeding the recommended threshold of 0.50, indicating that a substantial portion of variance in the indicators is captured by the constructs. Thus, the constructs demonstrate strong reliability and validity, ensuring confidence in the measurement of these strategies and performance outcomes.

Table 2: Heterotrait-Monotrait Ratio (HTMT)

	Market Penetration Strategy	Product Development Strategy	SMEs Performance
Market Penetration Strategy			
Product Development Strategy	**0.791**		
SMEs Performance	**0.692**	**0.782**	

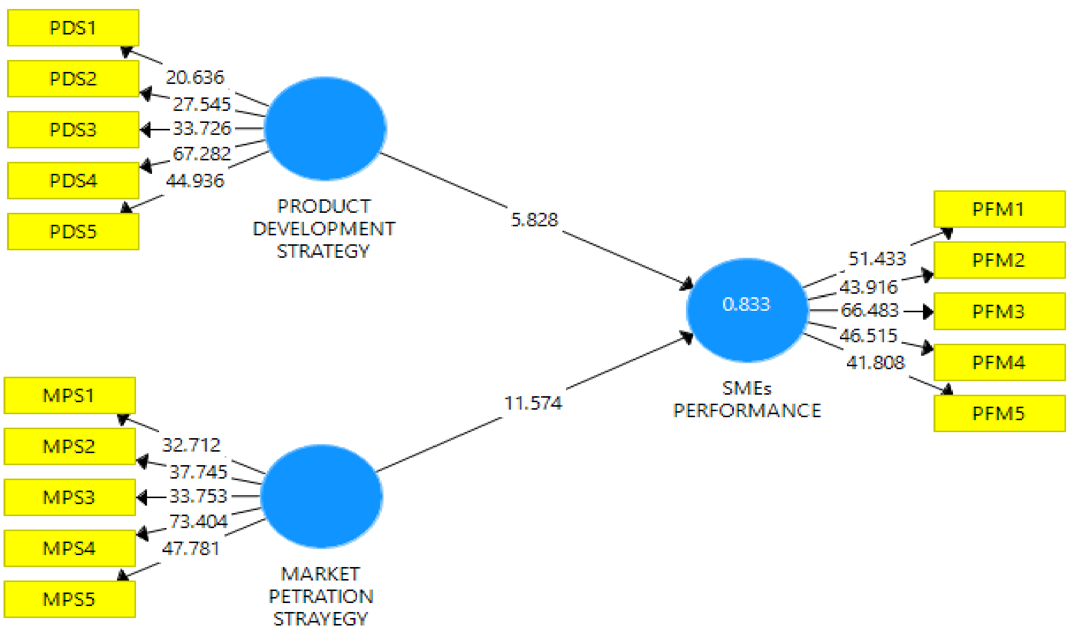
Source; SmartPLS Output 2024

Table 2 displays the Heterotrait-Monotrait Ratio (HTMT) values for assessing discriminant validity among the constructs: Market Penetration Strategy, Product Development Strategy, and SMEs Performance. The HTMT value between Market Penetration Strategy and Product Development Strategy is 0.791, indicating a moderate to high correlation but still below the commonly accepted threshold of 0.85, suggesting good discriminant validity between these constructs. The HTMT value between Market Penetration Strategy and SMEs Performance is 0.692, also below the threshold, indicating that these constructs are sufficiently distinct from each other. Lastly, the HTMT value between Product Development Strategy and SMEs Performance is 0.782, again below the 0.85 threshold, reinforcing that these constructs are adequately discriminated. Thus, the HTMT values confirm that the constructs maintain discriminant validity, meaning they measure different concepts effectively.

The Structural Model

In assessing the structural model, the standard assessment criteria was consider which include the path coefficient, t-values, p-values and coefficient of determination (R^2), the bootstrapping procedure was conducted using a resample of 5000.

Figure 3: Path Coefficient of the Regression Model



Source: SmartPLS Output 2024

Table 3: R^2 Summary

	R Square	Adjusted R Square
SMEs Performance	0.833	0.832

Source: SmartPLS Output 2024

Table 3 presents the R-squared and adjusted R-squared values for the dependent variable, SMEs Performance. The R-squared value of 0.833 indicates that 83.3% of the variance in SMEs Performance can be explained by the independent variables included in the model. This high value suggests a strong explanatory power of the model. The adjusted R-squared value, slightly lower at 0.832, accounts for the number of predictors in the model, providing a more accurate measure of the goodness-of-fit by penalizing for any unnecessary variables. The minimal difference between the R-squared and adjusted R-squared values suggests that the model is well-specified with relevant predictors and not overfitted. Thus, these values indicate that the model has a very strong capacity to explain the variation in SMEs Performance.

Table 4: Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Market Penetration Strategy -> SMEs Performance	0.615	0.614	0.053	11.574	0.000
Product Development Strategy -> SMEs Performance	0.324	0.325	0.056	5.828	0.000

Source: SmartPLS Output 2024

Test of Hypotheses

For the hypothesis H_O1, which posits that Product Development Strategy has no significant effect on the performance of SMEs, the path coefficient is 0.324, with a sample mean of 0.325 and a standard deviation of 0.056. The T-statistic for this relationship is 5.828, and the p-value is 0.000. Given that the T-statistic is well above the critical value typically considered significant (approximately 1.96 for a 95% confidence level), and the p-value is far below the 0.05 threshold, we can reject H_O1. This indicates that Product Development Strategy has a significant positive effect on the performance of SMEs in North Central Nigeria.

For the hypothesis H_O2, which suggests that Market Penetration Strategy has no significant effect on the performance of SMEs, the path coefficient is 0.615, with a sample mean of 0.614 and a standard deviation of 0.053. The T-statistic for this path is 11.574, with a p-value of 0.000. Similar to the first hypothesis, the T-statistic is significantly high, and the p-value is extremely low, allowing us to confidently reject H_O2. This demonstrates that Market Penetration Strategy has a highly significant positive effect on the performance of SMEs in North Central Nigeria. The magnitude of the path coefficient for Market Penetration Strategy is notably higher than that for Product Development Strategy, indicating a stronger impact on SMEs performance.

Discussion of Findings

The hypothesis H_O1, which suggested that Product Development Strategy has no significant effect on the performance of SMEs, was tested and found to be incorrect. The result shows that Product Development Strategy positively and significantly impacts the performance of SMEs in North Central Nigeria. Thus, we can reject H_O1 and conclude that adopting product development strategies can enhance SME performance in this region. The study is in line with the finding of Omosa, et al. (2022) and Carolyn and Elishaba (2019) who found that product development strategy has significant effect on the performance of tea factories in Kenya and middle level retail chain stores in Nairobi City County respectively.

The hypothesis H_O2, which proposed that Market Penetration Strategy has no significant effect on the performance of SMEs, was decisively rejected based on the analysis. The results show a highly significant positive effect of Market Penetration Strategy on SME performance in North Central Nigeria. The second finding is also in line with the finding of Jackson and Muirigi (2019) and Adamu (2023) who found a significant correlation between market penetration strategy and performance of small enterprises in Kenya and positive effect of market penetration strategy on the performance of Medium Enterprises (PFOM) in North Central, Nigeria.

CONCLUSION AND RECOMMENDATIONS

The study examines the effect of growth strategies on the performance of SMEs in North Central Nigeria. The research underscores the pivotal roles played by both Product Development Strategy and Market Penetration Strategy in propelling the performance of SMEs within North-central states of Nigeria. Based on the hypothesis testing, we reject the two hypotheses, indicating that both Product Development Strategy and Market Penetration Strategy have significant positive effects on the performance of SMEs in North Central Nigeria. The results demonstrate that while both strategies enhance SME performance, Market Penetration Strategy has a notably stronger impact, as evidenced by its higher path coefficient. Therefore, SMEs in North Central Nigeria should prioritize Market Penetration Strategy to achieve greater performance improvements, while also investing in Product Development Strategy to maintain a competitive edge. Based on the foregoing, the study recommends that:

i. SMEs in North Central Nigeria should invest in and prioritize product development strategies to improve performance. This includes allocating resources for research and development, adopting innovative technologies, and continuously upgrading their product offerings to meet market demands and stay competitive.
ii. SMEs should focus on robust market penetration strategies to significantly boost their performance. This involves expanding their market reach through effective marketing campaigns, leveraging digital marketing tools, and exploring new distribution channels to increase their market share and customer base.

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