EFFECT OF STRATEGIC MANAGEMENT ON THE PERFORMANCE OF SMALL &MEDIUM SCALE ENTERPRISES (SME'S) IN KANO STATE

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Abstract

The study examined the role of strategic management on the performance of SMEs in Kano State. Utilizing a quantitative research design, data were collected from 240 SMEs registered with the Kano State Chamber of Commerce, Industry, Mines, and Agriculture (KACCIMA) and analyzed using multiple regression analysis and descriptive statistics. The results indicate a significant positive relationship between strategic goal alignment and SME performance, suggesting that clear strategic objectives enhance business outcomes. Additionally, fostering a culture of innovation was found to significantly improve SME performance, underscoring the importance of creativity within these enterprises. Stakeholder's engagement also emerged as a critical factor, with active involvement of customers, employees, suppliers, and the community positively influencing performance. The study recommends that SME managers and owners in Kano State should: enhance strategic alignment by establishing and adhering to clear goals; promote innovation through creative thinking; and strengthen stakeholder relationships to gain valuable insights. This multifaceted strategic approach is essential for the sustained success of SMEs in the region.

Keywords: Strategic Goals; Innovation; Stakeholder Engagement; SME's Performance

Introduction

Strategic management has become an essential tool for improving the performance and sustainability of businesses on a global scale. It involves the formulation and implementation of major goals and initiatives by an organization's top management, based on an assessment of internal and external environments (David, 2011). This approach is particularly significant for Small and Medium-sized Enterprises (SMEs), which are considered the backbone of many economies. Globally, SMEs constitute 90% of businesses and more than 50% of employment (World Bank, 2023). In Nigeria, SMEs represent about 96% of all businesses, providing approximately 84% of jobs and contributing 48% to the national GDP (National Bureau of Statistics, 2023).

(SMEs) are pivotal to economic development and poverty alleviation especially in Kano State which is one of Nigeria's major commercial hubs. Kano's strategic position and historical significance as a trade center indicative of the potential of its SMEs to drive regional growth. However, despite their importance, many SMEs in Kano face significant challenges such as inadequate strategic planning, poor management practices, and limited access to financial resources (Central Bank of Nigeria, 2023). These challenges hinder their ability to compete effectively and achieve sustainable growth.

This study is crucial for several reasons. Firstly, it seeks to address a gap in the current literature by providing empirical evidence on the impact of strategic management on SME performance in Kano State, a region that has been under-researched. Secondly, understanding the role of strategic management can help SME owners and managers in Kano State to adopt practices that can enhance their competitiveness and resilience. Thirdly, the findings can guide policymakers and support organizations in creating targeted interventions to foster SME growth and development.

The vast majority of previous studies were conducted outside Nigeria, including those by Alosani *et al.* (2020); Ayinaddis (2023); Chow & Liu (2022); Gede & Huluka (2023); Ghezal & Khemakhem (2021); Ghozali & Valentina (2021); Kim *et al.* (2020); Kumar & Gupta (2022); Mukherjee & Kedia (2023); Nguyen & Le (2020); Rossi & Tarquinio (2021); Sánchez & Hernández (2021); Wang & Li (2020); and Yang *et al.* (2020). This geographic disparity makes it challenging to generalize their results to the Nigerian context. Moreover, there is no evidence of any study that has simultaneously examined the effect of the combination of the three independent variables used in this research (alignment with strategic goals, innovation, and stakeholder engagement) on SME performance. This study departs from previous research by focusing on non-financial performance measures to assess SME performance. Unlike the traditional reliance on financial metrics, this approach complements traditional view of SME health. It considers critical elements like customer satisfaction and employee engagement, which are essential indicators of organizational effectiveness and sustainability. This nuanced perspective allows for a more complementary understanding of SME performance.

Considering these gaps in the existing literature, this study aims to provide a more comprehensive investigation into the relationship between strategic management and SME performance. By focusing on the combined impact of alignment with strategic goals, innovation, and stakeholder engagement, this study seeks to establish a robust empirical link between strategic management practices and SME performance, offering insights that are contextually relevant to Nigeria.

Research questions

This study is expected to provide answers to the following questions:

1. How does alignment with strategic goals affect SME's performance in Kano State?
2. What is the impact of innovation on the SME's performance in Kano State?
3. How does stakeholders' engagement influence SME's performance in Kano State?

Research objectives

The general objective of the study is to investigate the effect of strategic management on the performance of SME's in Kano and the specific objectives are to:

1. Examine the effect of alignment with strategic goals on the performance of SME's in Kano state.
2. Explore the impact of innovation on the performance of SME's in Kano state.
3. Evaluate the influence of stakeholders' engagement on the performance of SME's in Kano state.

Research Hypotheses

Following the review of empirical investigations, the following hypotheses are formulated and tested:

$H_0$1: alignment with strategic goals has no significant effect on the performance of SME's in

Kano state.

$H_0$2: Innovation has no significant effect on the performance of SME's in Kano state.

$H_0$3: Stakeholders' engagement has no significant effect on the performance of SME's in Kano state.

Literature Review

Concept of SMEs Performance

SME performance encapsulates a diverse array of metrics that gauge the holistic well-being, efficacy and competitive edge of small and medium-sized enterprises (SMEs). While financial metrics like profitability form the bedrock, non-financial indicators equally wield substantial influence in evaluating SME performance.

In exploring SME performance, financial metrics like profitability are indeed pivotal, yet non-financial indicators such as customer satisfaction, innovation, and employee engagement hold equal importance (Kaplan & Norton, 1996). Likewise, operational efficiency, spanning productivity, cost management, and process enhancements, plays a pivotal role in the assessment of SME performance (Gunasekaran & Tirtiroglu, 2001). Customer satisfaction levels act as a barometer for how effectively a company meets or surpasses customer expectations (Anderson et al., 1994). Innovation, encompassing novel products, services, or processes, stands as another cornerstone of SME performance (Hagedoorn & Cloodt, 2003). Furthermore, employee satisfaction and engagement serve as critical barometers of overall workforce well-being and motivation (Harter et al., 2002).

Within this study, we articulate SME performance in alignment with the previously outlined non-financial metrics. These metrics offer a complementary perspective on SME vitality, incorporating critical facets such as customer satisfaction and employee engagement. These dimensions foster competitiveness and adaptability by monitoring innovation and operational efficiency, thereby harmonizing with strategic objectives for sustainable growth. Moreover, they aid in risk identification and bolster resilience, empowering SMEs to adeptly navigate shifts in the market landscape.

Concept of Strategic Management

Strategic management encompasses the formulation and execution of major goals and initiatives by top management, considering resources and assessing internal and external environments (David, 2011). It defines the long-term direction and scope of an organization, leveraging resources and competencies to meet stakeholder's expectations and gain a competitive advantage in a changing environment (Johnson et al., 2008). This process involves allocating resources, including capital and human resources, to pursue and sustain a competitive edge (Barney, 2002). Integrating resources and capabilities to achieve objectives in a dynamic and competitive setting is at the core of strategic management (Hitt et al., 2012). It's a process-oriented approach that includes analysis, strategy formulation, implementation, and evaluation to ensure organizational objectives are met and competitiveness is maintained (Wheelen & Hunger, 2012).

Alignment with Strategic Goals

Alignment with strategic goals involves ensuring that an organization's resources, processes, and actions are directed towards achieving its long-term objectives (Kaplan & Norton, 1996). It is the process and outcome of harmonizing an organization's strategy and structure with its external environment and internal resources to achieve high performance (Luftman, 2000). This entails ensuring that the goals, strategies, and activities of an organization are not only consistent with but also actively support its overarching mission and vision (Becker et al., 2001).

Innovation

Innovation encompasses the transformation of an idea or invention into a valuable product or service that customers are willing to pay for (Schumpeter, 1934). It involves implementing new or significantly improved products, processes, marketing methods, or organizational practices that contribute to business growth and effectiveness (OECD/Eurostat, 2005). Within organizations, innovation refers to adopting new ideas or behaviors that are novel to the organization, regardless of whether they have been previously used or implemented by others (Daft, 1978).

Stakeholders Engagement

Stakeholder's engagement refers to the active involvement of individuals, organizations and government who may be impacted by or have the ability to influence an organization's decisions (Freeman, 1984). It entails creating opportunities for meaningful dialogue between the organization and its stakeholders, ensuring their voices are heard and considered in decision-making processes (Greenwood, 2007). Additionally, stakeholder's engagement involves the proactive pursuit, comprehension, and response to the needs and expectations of stakeholders, fostering sustainable and mutually beneficial relationships (Andriof et al., 2002).

Conceptual Framework

This framework depicted below is vital as it portrays the direction of the study. The independent variable (IV) of the study is Strategic management comprising three dimensions; alignment with strategic goals, innovation and stakeholders' engagement, and the dependent variable (DV) is SME's performance. Figure 1 illustrates the relationship between strategic management and SME's performance.

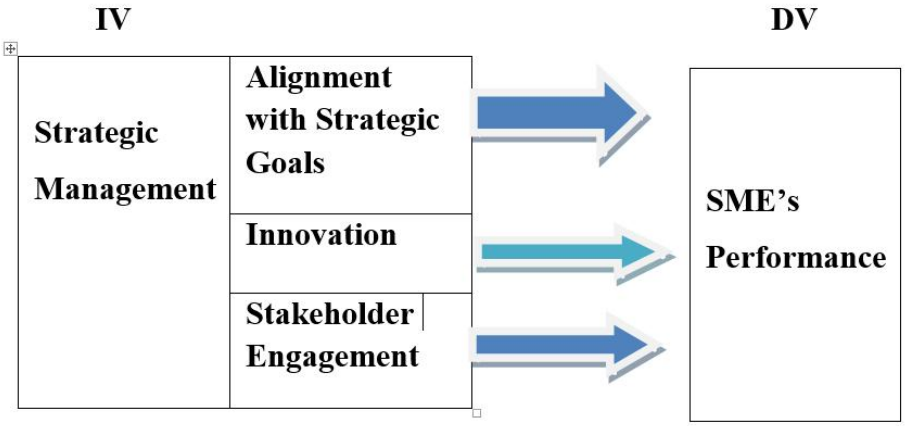

Figure1. *A Conceptual framework for the Relationship between Strategic Management& SME's performances*

Source*: Culled from evidence of review (2024)*

Theoretical Framework

Overview of Resource-Based View (RBV)

The Resource-Based View (RBV) is the theoretical framework underpinning this study. It offers a comprehensive and cohesive framework for understanding strategic management and organizational performance. The Resource-Based View (RBV) theory suggests that an organization's sustainable competitive advantage comes from its ability to assemble and utilize an optimal combination of resources. These resources can be tangible (physical assets) or intangible (knowledge, skills,

organizational processes) and must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide a lasting competitive edge.

It effectively links internal resources and capabilities to the achievement of strategic goals, innovation, and stakeholder engagement. By emphasizing the importance of valuable, rare, inimitable, and non-substitutable resources, RBV offers a robust theoretical foundation for analyzing how organizations can achieve and sustain competitive advantage through strategic management practices. Barney (1991) outlines how firm resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide a competitive edge. This directly links to how strategic alignment, innovation, and stakeholder engagement can be sources of sustained competitive advantage. Wernerfelt (1984) articulation of the RBV framework emphasizes the strategic management of resources, providing a solid theoretical foundation for understanding how internal capabilities drive performance.

RBV& Strategic Management

Kaplan and Norton (1996) in their work on the Balanced Scorecard aligns with RBV by showing how aligning resources with strategic goals improves performance. Lawson and Samson (2001) in their research on innovation capabilities as dynamic capabilities fits well with RBV's focus on leveraging internal strengths for competitive advantage.

RBV &Alignment with Strategic Goals

RBV perspective ensures that resources are directed towards achieving strategic objectives, maximizing the value derived from core competencies and capabilities. Empirical Evidence has shown that strategic alignment enhances performance by ensuring coherent and efficient use of resources (Kaplan & Norton, 1996).

RBV &Innovation

RBV perspective views innovation as a dynamic capability, necessary for adapting and maintaining competitive advantage in a changing environment. Research indicates that innovation driven by unique capabilities leads to sustained competitive advantage (Lawson & Samson, 2001).

RBV & Stakeholder Engagement

RBV perspective recognizes stakeholder relationships as valuable relational resources that contribute to long-term success. Effective stakeholder engagement is linked to enhanced reputation, loyalty, and ultimately, improved organizational performance (Freeman, 1984; Greenwood, 2007).

Review of Empirical Studies

This section provides a comprehensive review of empirical studies on strategic management and the performance of SMEs globally.

Ayinaddis (2023) studied the effect of innovation orientation on performance in micro and small manufacturing firms in the Awi Zone, Ethiopia. Using survey data from 150 technology sector SMEs and regression analysis, the study found that organizational innovation significantly enhances performance, especially in financial growth and internal process efficiency.

Gede and Huluka (2023) examined the impact of strategic alignment on organizational performance in Ethiopian universities using a quantitative approach with descriptive and explanatory designs. Surveying 365 personnel and employing structural equation modeling. Their findings indicate that clarity in goals, roles, and processes significantly enhances organizational performance.

Mukherjee and Kedia (2023) conducted a study on Strategic alignment and firm performances in Indian SMEs using a Mixed-methods approach combining surveys and interviews with SME leaders. Findings revealed that Alignment with strategic goals significantly boosts performance metrics.

Brown and Green (2022) studied the impact of stakeholder engagement on CSR performance in the healthcare sector. Surveying 200 firms, they found a positive relationship between active stakeholder's engagement and improved CSR outcomes.

Ghozali and Valentina (2021) investigated strategic alignment and performance in European Firms through a cross-sectional survey of 150 firms, employing regression analysis. Their findings showed that strategic alignment significantly enhances organizational performance by improving resource allocation efficiency and strategic clarity.

Rossi and Tarquinio (2021) analyzed the role of innovation in enhancing organizational performance through a longitudinal study involving 120 firms over five years. Using mixed-effects models, they found that continuous innovation efforts significantly improve organizational performance, with innovation acting as a mediator in the relationship between strategic management practices and market competitiveness.

Kumar and Gupta (2022) delved into stakeholders' engagement and organizational performance using a case study approach, analyzing data from in-depth interviews and surveys across 10 multinational corporations. Their study revealed that proactive stakeholder engagement significantly boosts organizational performance by improving corporate reputation, customer satisfaction, and operational efficiency.

Chow and Liu (2022) conducted a study on aligning business and IT strategies and their impact on organizational performance in the digital era. They utilized survey data and structural equation modeling. They found that IT-business strategic alignment significantly improves organizational performance.

Zhang and Liu (2021) studied stakeholder engagement's impact on organizational resilience in the banking sector during economic downturns. Through qualitative case studies, they discovered that strong engagement practices enhance resilience and adaptability.

Sánchez and Hernández (2021) investigated the impact of strategic alignment on the performance of Spanish SMEs using survey data and structural equation modeling. Their findings showed a robust and positive influence of strategic alignment on organizational performance, highlighting the crucial role of strategic coherence in enhancing SME success

Ghezal and Khemakhem (2021) investigated the impact of organizational factors, including stakeholder engagement, on corporate social performance in MNEs' subsidiaries in Tunisia. Using partial least squares regression on data from 115 subsidiaries, the study found that stakeholder engagement positively influences social performance.

Bello and Jamiu (2021) conducted a detailed examination of the relationship between strategic alignment and organizational performance using quantitative regression analysis on survey data from bank employees. Their findings showed a positive correlation, indicating that effective strategic alignment significantly enhances organizational performance, particularly within the banking sector.

Al-Ali (2020) conducted a study on aligning HR management actions with strategic organizational goals, employing geographical information system (GIS) tools to evaluate the performance of transportation systems in relation to these goals. The findings indicated that such alignment

significantly enhances performance measures, highlighting the effectiveness of integrating HR strategies with broader organizational objectives.

Wang and Li (2020) explored the effect of strategic alignment on supply chain performance in Chinese manufacturing firms, utilizing survey data analyzed with regression models. Their findings showed that strategic alignment significantly enhances supply chain performance and provides a competitive edge, emphasizing the importance of coherent strategic practices in the manufacturing sector.

Yang *et al.* (2020) examined the relationship between stakeholder engagement and financial performance in the European oil and gas industry, using return on assets as the accounting-based measure. Their study revealed a positive association, indicating that effective stakeholder engagement significantly enhances financial performance, thereby highlighting the critical role of stakeholder relationships in driving financial success in this sector.

Nguyen and Le (2020) investigated the impact of stakeholder engagement on the innovation performance of technology firms in Southeast Asia. Utilizing structural equation modeling, their study revealed significant positive effects of stakeholder engagement on innovation performance, underscoring the essential role of active stakeholder involvement in fostering innovation within the technology sector.

Kim *et al.* (2020) conducted a study examining how employees' perceptions of strategic alignment impact sustainability, surveying 244 participants from 74 Korean companies and utilizing partial least squares regression for analysis. Their findings indicated that strategic alignment indirectly enhances organizational performance by fostering goal clarity and employee engagement, highlighting the nuanced pathways through which strategic coherence contributes to sustainability.

Sciarelli *et al.* (2020) examined the impact of quality management practices and innovation on performance in higher education, using surveys and case studies from five universities. Their analysis revealed that innovation significantly boosts performance, as evidenced by increased research output, student satisfaction, and adaptability to environmental changes.

Alosani *et al.* (2020) studied how innovation and strategic planning affect Dubai Police's performance using surveys from 200 employees. Their findings showed that aligning innovation with strategic planning significantly improves organizational performance, enhancing problem-solving and operational efficiency.

Gaps in the Literature

The vast majority of previous studies were conducted outside Nigeria, including those by Alosani *et al.* (2020), Ayinaddis (2023), Chow and Liu (2022), Gede and Huluka (2023), Ghezal and Khemakhem (2021), Ghozali and Valentina (2021), Kim *et al.,* (2020), Kumar & Gupta (2022), Mukherjee and Kedia (2023), Nguyen and Le (2020), Rossi and Tarquinio (2021), Sánchez and Hernández (2021), Wang and Li (2020) and Yang *et al.* (2020). This geographic disparity makes it challenging to generalize their results to the Nigerian context. Moreover, there is no evidence of any study that has simultaneously examined the three independent variables used in this research; alignment with strategic goals, innovation, and stakeholder engagement to assess their combined effects on SME performance.

Acknowledging these gaps in the existing literature, this study aims to offer a more complementary examination of the relationship between strategic management and SME performance by focusing on the combined impact of alignment with strategic goals, innovation, and stakeholder engagement. This

study aims to establish a strong empirical connection between strategic management practices and SME performance, providing contextually relevant insights specifically tailored to Nigeria

Methodology

This study employs a cross-sectional descriptive survey design as data collection was conducted at a single point in time.

According to Swain (2008), a descriptive survey design is used to gather data about a population when the goal is to provide a systematic, factual, and accurate description as much as feasible. Furthermore, the researcher believes that this design is appropriate since it eliminates the possibility of manipulating and controlling the population sample.

The population of this study consists of the entire registered business with the Kano State Chamber of Commerce, Industry, Mines and Agriculture (KACCIMA). As of the year 2023, Kano State had a total population of five hundred and fourteen (514) (KACCIMA, 2023).To determine the sample size, the Yamane (1976) formula for sample size determination was adopted. Here is the formula:

$$n = \frac{N}{1 + N(e)^2} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where:

n= Minimum Sample Size

N= Population

1 =constant

E=margin of error (0.05)

Thus, by substituting the population size and the desired margin of error into Yamane's formula, we arrive at the sample size as shown below: -

$$\frac{N}{1 + N(e)^2}$$

$$= \frac{514}{1+514(0.05)^2}$$

$$= 1+514(0.0025)$$

$$= 225$$

The calculation using Yamane's formula recommended a minimum sample size of 225 for this study. However, to account for potential non-responses and invalid entries, an additional 30 percent (68 respondents) was added, bringing the total to 293 structured questionnaires for distribution. This approach, recommended by Israel (1992), has been adopted by many researchers, including Olukotun *et al.* (2023) and Yusuf *et al.,* (2023).

A two-stage sampling technique was utilized. In the first stage, a stratified sampling technique was used to obtain a representative sample due to the heterogeneous nature of the population. In the second stage, sample units were randomly drawn from each stratum, ensuring that every member of the population had an equal chance of being selected, thus minimizing bias. This method ensures that the sample accurately represents the population of SMEs in Kano State.

Data was collected using a structured questionnaire, chosen for its popularity, effectiveness, efficiency, and the convenience it offers respondents in answering at their own pace. The dependent variable was SME performance, while the independent variables were alignment with strategic goals, innovation, and stakeholder engagement. The unit of analysis was individual owner-managers.

The questionnaire was divided into five sections (A, B, C, D, & E). Section A collected demographic data from respondents, while sections B through E gathered information on the three independent variables and the dependent variable. Multiple-choice questions were employed to gather demographic information such as gender, age group, and years in business. Attitudinal statements regarding the study variables were evaluated using a 5-point Likert scale ranging from "Strongly Agree" (5) to "Strongly Disagree" (1), chosen for its precision, ease of understanding, and computational flexibility.

Both descriptive and inferential statistics were used for data analysis. Descriptive statistics, presented in frequency tables and percentages, were employed to summarize the data. Inferential statistics such as multiple regression analysis was utilized to investigate the impact of strategic management on SME performance.

The dependent variable (SME Performance) was regressed on the independent variables—Alignment with Strategic Goals, Innovation, and Stakeholder Engagement—using a multiple regression model specified as follows:

SP = f (ASG, IN, SE) …….. (2)

Where:

SP is the SME Performance.

ASG is the Alignment with Strategic Goals.

IN is Innovation.

SE is Stakeholder Engagement.

$SP = b_0 + b_1\boldsymbol{ASG} + b_2\boldsymbol{IN} + b_3\boldsymbol{SE} + \epsilon$ …….. (3)

Where:

SP = SME Performance

$b0$ = Intercept

$b1$, $b2$, $b3$ = Coefficients of the regression model

ASG = Alignment with Strategic Goals

IN= Innovation

SE = Stakeholder Engagement

ϵ= Error term

This model was employed to quantify the relationship between the dependent variable and each of the independent variables, thereby enabling the assessment of how strategic management practices influence SME performance.

Measurement of Variables

Each of the three strategic management proxies and the dependent variable (SME performance) was measured using a multi-item scale adapted from previous studies, including Becker *et al.,* (2001),

Cooper (1990), Freeman (1984), Fornell *et al.,* (1996), Harter *et al.,* (2002), Hannan and Freeman (1984), Isaksen and Ekvall (2010), Jaworski and Kohli (1993), Kaplan and Norton (1996), Lawson and Samson (2001), Locke and Latham (2002), Luftman (2000), Parmenter (2010), and Reichheld (2003). These scales were carefully selected to ensure comprehensive and reliable measurement of the constructs involved.In order to validate the questionnaire items, a pilot test was carried out with 30 SME owners/managers from Kano State.

This aligns with the 10 percent of the sample size recommended by Connelly (2008). Moreover, a reliability test was performed utilizing Cronbach's alpha coefficients. Cronbach's alpha is widely adopted by many authors, including Olukotun *et al.,* (2023), and Yusuf *et al.,* (2023), This study used the widely accepted criterion of a Cronbach's alpha of 0.70 as the minimum acceptable level for internal consistency (Gliem & Gliem, 2003).

Estimation of results

Out of the 293 distributed structured questionnaires, 240 were returned, achieving an impressive 82% response rate. This rate notably exceeds the minimum sample size of 225 as suggested by the Yamane formula for determining sample size. Thus, the 240 valid responses are more than adequate for robust analysis and meaningful discussion, providing a solid foundation for the study's findings.

Diagnostic Tests

According to Olukotun et al. (2023), diagnostic tests are conducted to ensure the outcomes are unbiased and to prevent violations of the fundamental assumptions of the regression model. This subsection covers the diagnostic tests performed, including reliability, normality, autocorrelation, heteroskedasticity, and collinearity tests. The analysis is based on cross-sectional data. The heteroskedasticity test revealed that the error term variances were not constant, indicating a breach of the homoscedasticity assumption.

To ensure internal consistency of the study scales, a reliability analysis using Cronbach's alpha was conducted. The results are presented in Table 1.

Table: 1 Reliability Test using Cronbach Alpha

Variable	Cronbach'sAlpha	NumberofItems
ASG	0.833	5
IN	0.815	5
SE	0.806	5
SP	0.856	5

Source: Authors' Computation (2024)

According to Gliem and Gliem (2003), all variables in the reliability test reported in Table 1 exhibit Cronbach's alpha coefficients exceeding the minimally acceptable threshold of 0.70. This high level of internal consistency confirms that the questionnaire instruments are well-suited for accurately measuring the constructs of interest.

Furthermore, the study evaluated normality through the examination of skewness and kurtosis values to ensure compliance with the regression model's normality assumption. These statistical measures provide insights into the symmetry and peakedness of the data distribution, respectively. The detailed results of the normality tests are presented in Table 2 below, confirming the appropriateness of the data for regression analysis.

Table2: Normality Test

N		Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
ASG	240	1.234	0.125	1.632	0.228
IN	240	1.423	0.125	1.876	0.228
SE	240	1.543	0.125	1.756	0.228
SP	240	1.412	0.125	1.334	0.228

Source: Authors' Computation (2024)

None of the skewness or kurtosis values in Table 2 exceeded two or seven, respectively. According to West *et al.* (1995), these thresholds imply that the variables in the regression model can be considered to follow a normal distribution, indicating that the normality assumption is likely upheld.

Furthermore, the Durbin-Watson (D-W) statistic was employed to assess autocorrelation within the data. Field (2009) suggests that a D-W statistic value close to 2 signifies the absence of serial autocorrelation. In this study, the D-W statistic of 1.694, being near this threshold, indicates that serial autocorrelation is not a concern.

Heteroskedasticity challenges one of the core assumptions of a regression model, which posits that the variance of the error term remains constant across observations. To investigate the presence of heteroskedasticity, this study employed a scatter plot analysis. Specifically, the scatter plot illustrated the relationship between the standardized residuals (SRESID) and the predicted values of the independent variables (ZPRED). The absence of any discernible pattern in the scatter plot suggests that the regression model does not exhibit heteroskedasticity, thereby upholding the assumption of homoscedasticity.

Beyond testing for heteroskedasticity, the study also addressed the issue of multicollinearity to ensure the independence of the model's variables. Multicollinearity refers to a situation where explanatory variables are highly correlated with each other. Achuku and Abubakar (2023) posit that an excessively high correlation coefficient among independent variables can be problematic. Multicollinearity can distort regression results and violate key assumptions of the model. To detect multicollinearity, this study utilized two established methods: the variance inflation factor (VIF) and the correlation matrix. These methods aid in detecting and measuring the degree of multicollinearity, thereby enhancing the strength and dependability of the regression analysis.

In addition to testing for heteroskedasticity and multicollinearity, several other diagnostic tests were conducted:

1. **Reliability Test:** Cronbach's alpha was used to ensure that the measurement instruments for the independent variables are consistent and reliable.
2. **Normality Test:** The skewness and kurtosis of the residuals were examined to assess their distribution. Skewness values close to zero and kurtosis values around 3 indicated that the residuals were approximately normally distributed.
3. **Autocorrelation Test:** The independence of residuals was assessed using the Durbin-Watson test, which confirmed the absence of significant autocorrelation.

These diagnostic tests collectively ensured the robustness and reliability of the regression model used in this study.

Table 3: Correlation

		ASG	IN	SE
ASG	Pearson Correlation	1	0.602**	0.672**
	Sig.(2-tailed)		0.000	0.000
	N	240	240	240
IN	Pearson Correlation	0.602**	1	0.533**
	Sig.(2-tailed)	0.000		0.000
	N	240	240	240
SE	Pearson Correlation	0.672**	0.533**	1
	Sig.(2-tailed)	0.000	0.000	
	N	240	240	240

**.Correlation is significant at the 0.01level (2-tailed).

Source: Authors'Computation (2024)

Note: ASG= Alignment with Strategic Goals, IN= Innovation and SE= Stakeholder engagement.

The correlation values among the explanatory factors reveal that the highest correlation, 0.672, occurs between ASG and SE at the one percent significance level. Wooldridge (2015) asserts that multicollinearity is not a concern if no pair of independent variables exhibits a correlation coefficient exceeding 0.70. To corroborate these correlation findings, the variance inflation factor (VIF) was also computed and presented in Table 4, providing an additional layer of verification for the absence of multicollinearity in the model.

Table 4: Collinearity Statistics

Variable	Tolerance	Variance Inflation Factor
ASG	0.569	1.756
IN	0.536	1.865
SE	0.548	1.824

Source: Authors' Computation (2024)

Table 4 above demonstrates that the tolerance statistic for each independent variable exceeds 0.1, and the corresponding VIFs are significantly below 10. Pallant (2005) posits that meeting these criteria indicates the absence of multicollinearity. This congruence between the tolerance and VIF results reinforces the findings from the correlation analysis indicating the absence of multicollinearity issues in this model.

Descriptive Analysis

This section provides a comprehensive descriptive analysis of the respondents' demographic data, with the detailed results presented in Table 5.

Table 5: Descriptive Results

Gender of the Respondents

	Frequency	**Percentage**
Male	200	83.3
Female	40	16.7
Total	**240**	**100**

Age Group of the Respondents

	Frequency	**Percentage**
18-25	5	2
26-35	45	18.8
36-45	150	62.5
Above 45	40	16.7
Total	**240**	**100**

	Highest Qualification	
	10	
Ph.d	70	4.1
Masters	100	29.2
First Degree/ HND	60	41.7
Diploma/NCE		25
Total	**240**	
		100

Number of years in the business

	Frequency	**Percentage**
Less than 10	50	20.8
10-20	160	66.7
Above 20	30	12.5
Total	**240**	**100**

Source: Field Survey, (2024)

According to the descriptive statistics presented in Table 5, a substantial majority of the respondents (200) or 83.3% are men. This gender distribution is consistent with the cultural and religious norms of the research region, which tend to see higher participation rates from men compared to women in such studies. The age distribution data indicate that most respondents are between 36 and 45 years old, suggesting a mature demographic. This maturity is anticipated to enhance the reliability of their responses, as mature individuals are often perceived to possess a stronger sense of responsibility (Olukotun et al., 2023).

Additionally, Table 5 outlines the educational backgrounds of the respondents: 10 respondents, or 4.1%, hold a Ph.D.; 70 respondents, or 29.2%, have a master's degree; and 100 respondents, or 41.7%, possess a first degree or Higher National Diploma (HND). Furthermore, 60 respondents, or 25%, have at least a National Diploma (ND) or Nigeria Certificate in Education (NCE). Given the majority of respondents' high level of educational attainment, the quality and reliability of responses may be enhanced (Olukotun et al., 2023).

Regression Analysis

As outlined in the methodology, a regression analysis was employed to examine the impact of strategic management on the performance of SMEs in Kano State. Regression analysis is justified in this study due to its ability to accurately quantify relationships, identify significant predictors, control for confounding variables, handle complex data relationships, and provide robust and reliable results. This makes it an ideal tool for understanding the impact of strategic management on SME performance in Kano State. The detailed regression results are presented in Table 6, which encompasses t-values, p-values, and the coefficients for both the variables and the constant.

Table 6: Regression Results Summary

Source: Authors' Computation (2024)

Variables/constant	Coefficients	t-values	p-values
Constant	10.231	10.432	0.000
ASG	2.003	29.021	0.000
IN	2.164	15.117	0.000
SE	1.204	12.786	0.000
R-square	0.854		
Adjusted R-square	0.876		
f-stats	334.065		
f-sig.			0.000
D-W	1.694		

The regression results presented in Table 6 demonstrate that alignment with strategic goals exerts a significant positive impact on the performance of SMEs, evidenced by a high t-value of 29.021, which is significant at 1% level. Similarly, the results indicate that innovation has a substantial positive effect on SME performance, as reflected by a t-value of 15.117. Furthermore, the analysis reveals that stakeholder engagement significantly enhances SME performance, with this relationship also being significant at the 1% confidence level. These findings underscore the critical role of strategic alignment, innovation, and stakeholder engagement in driving the performance of SMEs.

Discussion of Findings

Based on the results of the regression analysis and hypothesis testing, the conclusions are as follows:

The null hypothesis stating that alignment with strategic goals has no significant effect on SME performance was rejected, given the substantial t-value of 29.021. The regression coefficient for alignment with strategic goals is 2.003, indicating that a 1 percent increase in alignment with strategic goals corresponds to approximately a 2 percent increase in SME performance. Among the variables examined, alignment with strategic goals has the highest coefficient and a significantly positive t-value, suggesting it exerts the greatest influence on SME performance.

This significant positive impact supports the Resource-Based View (RBV) theory asserts that aligning with strategic goals ensures that resources are effectively directed towards achieving strategic objectives, thereby maximizing the value derived from core competencies and capabilities. This

finding is consistent with the research of Ayinaddis (2023), Ghozali & Valentina (2021), Ghezal & Khemakhem (2021), and Mukherjee & Kedia (2023).

Furthermore, the null hypothesis stating that innovation has no significant effect on SME performance was also rejected. Innovation was found to be positively and significantly associated with SME performance at the 1 percent level of significance, suggesting a 99 percent confidence in the decision to reject the null hypothesis. The significant positive t-value of 15.117 supports this conclusion. Additionally, the coefficient for innovation is 2.164, indicating that a 1 percent increase in innovation results in approximately a 2.1 percent increase in SME performance.

These findings align with the Resource-Based View (RBV), which considers innovation as a dynamic capability essential for adapting and maintaining a competitive advantage in a changing environment. This result is consistent with the research conducted by Brown and Green (2022), Nguyen and Le (2020), and Sciarelli *et al.,* (2020).

Additionally, the null hypothesis positing that stakeholder engagement has no significant effect on SME performance was also rejected. Stakeholder engagement was found to be positively and significantly associated with SME performance at the 1 percent level of significance, indicating a 99 percent confidence in this decision. The positive t-value of 12.786 further supports this finding. The coefficient for stakeholder engagement is 1.204, suggesting that a 1 percent increase in stakeholder engagement leads to approximately a 1.2 percent increase in SME performance.

These findings align with the Resource-Based View (RBV), which recognizes stakeholder relationships as valuable relational resources that contribute to long-term success. This result is consistent with the research by Yang *et al.,* (2020), Ghezal and Khemakhem (2021), and Zhang and Liu (2021).

Conclusively, the adjusted R-square value of 0.876 indicates that aligning with strategic goals, innovation and stakeholder's engagement collectively explain 87 percent of the variation in employee performance. This implies that the remaining 13 percent of the variation is due to factors or variables not captured in the study. The overall significance of these independent variables on the dependent variable is confirmed by the F-statistic of 334.065, which is significant at the 1 percent level. This high level of significance suggests that the model is well-fitted and that the findings, discussions, conclusions, and recommendations derived from the analysis are robust and reliable.

Identified gaps for future study

This study provides a snapshot of the current impact of strategic management on SME performance Future studies may opt for longitudinal research designs to examine how these relationships evolve over time, providing insights into the long-term effects of strategic alignment, innovation, and stakeholder engagement.

While this study considers SMEs broadly, future research could focus on specific sectors within the SME landscape in Kano State. This would help to identify whether the effects of strategic management practices differ across industries, providing more targeted recommendations.

The current study employs a quantitative approach. Future studies could incorporate qualitative methods, such as interviews and case studies, to gain deeper insights into the reasons behind the observed relationships and to explore the nuances of strategic management practices in greater detail.

Comparing the findings from Kano State with other regions in Nigeria or similar economies of different countries could provide a broader perspective on the generalizability of the findings. Such comparative studies might identify regional or cultural factors that influence the effectiveness of strategic management practices.

Future research could investigate the interplay between external factors such as economic policies, regulatory environments, and market conditions and strategic management practices in influencing SME performance. This would provide a more thorough understanding of the contextual factors that affect SME success.

With the increasing importance of technology and digital transformation, future studies could explore how these factors influence strategic management and SME performance. Investigating the role of digital tools, e-commerce, and digital marketing strategies could yield valuable insights.

While this study looks at general performance, future research could delve into specific financial performance metrics, such as profitability, revenue growth, and cost efficiency, to understand how strategic management practices specifically impact financial outcomes.

Conclusion and Recommendations

This study investigated the effect of strategic management on the performance of SMEs in Kano State. The independent variables included alignment with strategic goals, innovation, and stakeholder engagement, while the dependent variable was SME performance, measured using a five-item scale with a Cronbach's alpha coefficient of 0.856, indicating high reliability.

The results indicate a significant positive relationship between strategic goal alignment and SME performance, suggesting that clear strategic objectives enhance business outcomes. Moreover, fostering a culture of innovation was found to significantly improve SME performance, highlighting the crucial role of creativity and adaptability within these enterprises. Stakeholder engagement also emerged as a critical factor; the active involvement of customers, employees, suppliers, and the community was shown to positively influence performance.

These findings underscore the importance of a comprehensive strategic management approach that integrates clear goal alignment, innovation, and stakeholder engagement to drive the performance of SMEs.

Based on the main findings, the following recommendations are made as implications for policy. Managers and owners of SMEs should consider the following actions:

1. Enhance Strategic Alignment by establishing clear strategic goals and ensure that all business activities are aligned with these goals. This can be achieved through regular strategic planning sessions, performance reviews, and aligning employee objectives with organizational strategies.
2. Develop and communicate a comprehensive strategic plan that includes specific, measurable goals and regularly assess alignment through performance metrics and feedback mechanisms.
3. Promote a culture of innovation by encouraging innovative thinking and creativity, allocating resources for research and development, and rewarding innovative ideas. This can involve training programs, innovation workshops, and creating an environment that tolerates calculated risks.

4. Establish innovation labs or think tanks within the organization, allocate budget for innovation projects, and recognize and reward employees who contribute innovative ideas.
5. Strengthen stakeholders' engagement by proactively involve stakeholders, such as customers, employees, suppliers, and the community, in engagement efforts, to build strong relationships and gain valuable insights.
6. Develop a stakeholder engagement strategy that includes regular communication, feedback sessions, and collaborative projects. Use surveys, focus groups, and social media to gather and respond to stakeholder feedback.
7. Allocate resources for training and development programs for employees to enhance their skills and align their capabilities with strategic goals through professional development opportunities such as workshops, seminars, online courses, and certifications. Tailor training programs to address specific skills gaps and emerging industry trends.

Policy Implications

Government should:

Develop policies that require SMEs to establish and document clear strategic goals. This can be facilitated through workshops and training sessions provided by the Kano State Chamber of Commerce, Industry, Mines, and Agriculture (KACCIMA). Regular monitoring and evaluation mechanisms should be instituted to ensure compliance and alignment with these strategic objectives.

Introduce policies that incentivize innovation within SMEs. This could include grants, tax breaks, or subsidies for businesses that invest in research and development, adopt new technologies, or engage in innovative practices. Additionally, create innovation hubs and provide resources such as innovation labs or incubators to support SMEs in developing and implementing creative solutions.

Formulate policies that encourage active stakeholder engagement. This could involve creating platforms for regular dialogue between SMEs and their stakeholders, such as community forums, customer advisory panels, and supplier partnership programs. Additionally, provide training for SME managers on effective stakeholder engagement strategies.

Gap filled

This study addresses several critical gaps in the literature and practical application:

By providing quantitative data on the relationship between strategic management practices and SME performance in Kano State, the study fills a gap in empirical research specific to this geographical and economic context.

Previous studies focused on isolated aspects of strategic management. This research offers a more comprehensive view by examining strategic goal alignment, innovation, and stakeholder engagement together, highlighting their collective impact on SME performance.

The study provides tailored recommendations for SME managers in Kano State, addressing the unique challenges and opportunities within this specific context. This localized approach helps bridge

the gap between general strategic management theories and their practical application in Kano's SME sector.

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