



# World Scientific News

An International Scientific Journal

WSN 108 (2018) 53-63

EISSN 2392-2192

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## Exploring The Link Between Focus Strategies and Customer Relationship of Small and Medium Enterprises

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### ABSTRACT

The study critically examined the influence of focus Strategies on customer relationship of SMEs. The objective of the study is to investigate the degree of influence that focus strategy has on Customer Relationship of SMEs. Series of questions were asked using the questionnaire adopted by the researcher and hypotheses was proposed and tested in the study. To determine the influence of focus Strategies on customer relationship of Small and Medium Enterprises, a sample of 125 were drawn. The data were analyzed using simple frequency tables and regression analysis. The study found out that focus strategy would affect customer relationship of small and medium enterprises. The study recommended that focus Strategies should be adopted in a way that would boost the performance of the SMEs in general and enterprises should make sure that their management adopts focus strategy for organizational efficiency and performance.

**Keywords:** Focus Strategies, Customer Relationship, Competitive Strategies, SMEs

## **1. INTRODUCTION**

Porter (2010) postulates that in today's business environment, competition has been the bane that no organization can decide to overlook environmental challenges and quest for business sustenance. Consumer requirements and needs keep changing from time to time and that mounts pressure on firms to seek for focus strategies to adopt to stay ahead of industry players in the sector where they belong. Cosh & Hughes (2004) Posit that most organizations strive to do things differently and better in order to differentiate their services and products bearing in mind the needs and wants of their customers. In this way they can gain competitive advantage and so maintain the loyalty and support of their stakeholders. Due to the important roles of the SMEs in national development, many countries have instituted different policy support and frameworks to guide the development of these enterprises.

Gibbs (2007) pointed that SMEs need to distinguish their products in a unique manner to be ahead competition and take market leadership for specific product lines but the challenge of SMEs as regards differentiation ranges lack of organizational creativity, poor packaging and poor brand image. However few SMEs have had paradigm shift from the norm of assumption that they would remain small in business, the extent effect of differentiating organizational products on sales turnover has not been ascertained by many contemporary researches in Nigeria (Hambrick, 2003). Battisti & Stoneman (2010) pointed that the main elements that mitigate a firm's performance with respect to focus strategies have not received a lucid in the Nigerian Business environment. Small and Medium scale organizations have their share of the downside of the global competitions and the turbulent business environments.

Zahra & George (2002) emphasized that focus strategy made in a centralized structure are going to have a less diversity of ideas and more likely to be consistent over time than a decentralized organization where input is likely to be diverse and the people providing that input may change depending on the situation. Blackmore & Nesbitt (2013) take a different view about focus strategy and related concepts. They noted that the top people in the organization crafted the strategy; they designed the structure that enabled it to unfold and the system that made it operational.

### **1. 1. Statement of Research Problem**

Ketchen (2003) Organizations exist in challenging economic environments that is highly dynamic in nature as regards consumers' needs, employees and stakeholders' expectations. The ability of organizations especially the SMEs to meet these demands and new competition through the introduction of new competitive strategies becomes imperative for success of businesses because organizations emerge as a result of necessity to meet the needs of customers and society in which it operates. Customers want the best of goods and services from the companies they purchase commodities from and meeting societal needs (Sheth, Sisodia & Sharma, 2000).

SMEs remain a dominant adopter of strategies in business operations because the numbers of SMEs in Nigeria are enormous and this makes their businesses to be more responsive to environmental changes from competitors. Porter (2012) noted that one of the reasons for the death of these organizations is their failure to adopt focus strategies and make use of market research to ascertain the main form of competitive strategy that suits them due to the fact that focus strategy is most common for businesses to adopt but the extent of

adoption of focus strategy for many SMEs in Nigeria seems not clear as many SMEs fail to survive due to lack of focus strategy as a means of boosting demand to increase market share.

### **Research Question**

What influence does focus strategy have on Customer Relationship of SMEs?

### **Hypothesis**

**Ho<sub>1</sub>** Focus strategy has no significant influence on the customer relationship of SMEs.

**Ha<sub>1</sub>** Focus strategy has a significant influence on the customer relationship of SMEs.

## **2. LITERATURE REVIEW**

### **2. 1. The Concept of Small and Medium Enterprises (SMEs)**

Recent empirical studies show that SMEs contribute to over 55 per cent of GDP and over 65 per cent of total employment in high income countries, SMEs and informal enterprises account for over 60 per cent of GDP and over 70 per cent of total employment in low income countries while they contribute over 95 per cent of total employment and about 70 per cent of GDP in middle income countries” (Porter, 2010). SMEs’ support and development has therefore become key component of developmental plans of most economies, particularly developing countries like Nigeria (Salavon, Baltas & Lioukas, 2004). Specifically, 55% of workers in the UK have been shown to be employed by SMEs, while over 95% of UK firms have less than 10 employees (Porter, 2010). In the US, 70% of job creation can be traced to high growth firms which are linked to entrepreneurial behaviours (EU Commission, 2010).

Coleman (1980) also noted that despite many scholarly works on the factors which influence the survival and growth of SMEs, no comprehensive model exists that adequately encompasses all applicable parameters. It is important to understanding the nature and degree of relationship that exist between an enterprise and its business environment level of adaptation that is required for growth compared with what is needed for survival (Beck, Demirguc & Martinez, 2008). Most of the present day larger and bigger businesses began as small scale industries but grew because either they replicate products or made them cheaper or improved on their existing products (Gibbs, 2007).

However, still very few Nigerians, mostly uneducated benefitted from this government intervention. Most educated Nigerians wanted to replace the colonialists to work in the prestigious civil service sector as government employees because of the impending independence (Brockhaus, 1980). Government policies in the 1980s, promoted technology and industrial development of small businesses. Those industrial policies according to Hambrick (2003) mainly focused on encouraging SMEs to use local materials and build their capacity in this area. The Federal Government also increased effort to enhance a good significant between research, enterprise policies and growth by establishing a research products development company so that manufacturing companies can adopt imported equipment for use in Nigeria. Specifically, the federal government trained and motivated unemployed graduates to become entrepreneurs through its development programmes (Zahra & George, 2002).

## **2. 2. The concept of Focus Strategy**

Porter (2012) posit that core of this strategy is a want to every day getting better at what people do. Customer Service is ever so important to the day-to-day operations of a Council and this strategy outlines people's commitment to the organization. Blackmore & Nesbitt (2013) posit that Customers highest priority is to improve the way managers interact with them which should be the concern of all organization. Today we offer a range of contact options and our customers have the right to expect a consistent experience regardless of the method they choose (Porter, 2010). EU Commission (2003) emphasized that recent rapid growth and adoption of new technologies in the digital space is both exciting and daunting for organizations. It means that enterprises must be constantly looking to keep up with community and their needs to be responsive and consistent.

Ketchen (2003) states that the strategy commits to four key themes of people, process, technology and measures and is supported by an action plan, which outlines the key priorities of actions together with identifying outcomes that will be delivered over the course of the strategy. This strategy must be prepared after extensive consultation with the community - customers, staff, executive management team, Mayor and Councilors. Ongoing feedback is also frequently provided by key stakeholders. The Annual Community Survey was a key reference point in preparing the Customer Focus Strategy; but the process also included additional customer surveys, focus groups and workshops with councilors (Granovetter, 1973). Focus Strategy is designed to provide clear direction for Council to achieve its mission with a commitment to continue to uphold Council's values (Porter, 2010)

## **2. 3. Four Themes of Focus Strategies Objectives**

Porter (2012) Posit that focus strategy provides the organization with a framework to deliver excellent customer service. Four key themes have been identified and under each there are a number of objectives, to provide responsive and consistent customer interaction along with efficiencies and greater customer satisfaction. Helping staff to be more engaged, skilled and customer focused ensuring consistent, efficient and accessible processes. Developing accessible, innovative customer-driven preferences collecting, assessing, measuring information and providing reports to guide future direction. He further posits that the accompanying Strategic action Plan can be outlines into four strategic themes: PEOPLE PROCESS TECHNOLOGY and MEASURES.

Sheth, Sisodia & Sharma (2015) emphasized the key to provide staff with a greater understanding of who customers are and what they value from the firm and embed a culture across the organization, where the customers' needs are the focus for decision making and service design and delivery. Customer service standards are the foundation to the delivery of high quality service and it is important that all staffs are appropriately trained and supported to consistently up hold these principles. Zahra & George (2002) suggested that It is important that firm make it easy for customers to provide with feedback on their experience and satisfaction and use this information to better understand what is working and how organization can improve their processes and services. There is an expectation that firms not only create value for customers but doing this using less resources. This will create a need for more innovative and forward thinking ways of working to ensure services are easy to use and accessible.

Cosh & Hughes (2005) postulates that Customer focus strategy (CSS) is now an accepted way to do business – and customers expect to easily interact with Council and have access to accurate information at the times they choose. Customer does not necessarily want to be constrained by the hours of operation of the service. Such interactions include making multiple payments, updating their contact details or checking the status or outcome of a recent request or complaint. Granovetter (1973) more effective use of technology to advance in this area is vital and has been identified as a priority. Organization aim to leverage off technology to ensure they meet customer expectations, reduce customer effort and increase internal efficiencies (Beck, Demirguc & Martinez, 2008). Creating a central register for a customer name and address record (single view), that can be integrated and appropriately accessed across all services of Council, will assist customers to self-serve and result in improved response times and a better overall customer experience.

Porter (2010) emphasized that it is important that organization regularly measure customer satisfaction and performance against service standards and use this information to identify opportunities for improvement – and highlight areas of excellence. This data will help firms recognize reward and reinforce high quality service delivery across the organization and close the gap between customer expectations and service performance (EU Commission, 2003).

#### **2. 4. Customer Relationship of SMEs and Competitiveness**

Coleman (1980) Noted that modern customer relationship management focuses on the customer rather than the product or service. The forerunners of the Modern customer relationship management techniques were developed in the 1960's by marketers like Sears and various book clubs. They stored information about their customers in computers for reasons other than invoicing. Their aim was to know more about their customers, who they were, what they wanted and what their interests were. Blackmore & Nesbitt (2013) argues that customer relationship management does not lead to higher customer retention but if used properly and effectively the use of customer relationship management can be very productive.

Cosh & Hughes (2005) identifies the following principles of Customer Service Charter and together with our core values, have been used to guide the development of the strategy.

- treat customers with respect and courtesy and listen to them
- be friendly and polite with customers
- be open honest and accountable in interactions with clients and customers • be prompt in responses and close the loop
- be consistent
- be accessible and inclusive
- respect your privacy and treat your personal information as confidential
- continue to develop sustainable partnerships
- use your feedback as a way of improving service standard

### **3. RESEARCH METHOD**

In this study, the survey method was adopted to collect respondent view about the study through the use of questionnaires; Research design for this study is structured in such a way

that it indicates the dependent and independent variables, their relationship, and their dimensions along which they are measured. For the purpose of this study, correlation and descriptive research was employed. Data collection was based on a cross-sectional basis because of its ability to provide direct response from a moderate population (Creswell, 2009)

The questionnaire involved “Strongly Agree, Agree, Undecided, Disagree, Strongly Disagree” structured dichotomy questions to facilitate analyzing the data collected from the research. The coefficient alpha (Cronbach’s alpha) was used to test the reliability of the measurement scale. For purposes of this research study the Statistical Package for Social Sciences (SPSS) was adopted. The population of this study is 500 employees of the selected SMEs in Lagos and Ogun state. The population of the study comprises of SMEs in Lagos and Ogun State. The names of 5 SMEs that participated in this research are:

- (i). Adestar and Sons Limited, Lagos state
- (ii). M and M Limited, Lagos state
- (iii). Real Confectionaries, Lagos state
- (iv). Galead Investment Limited, Ogun State
- (v). A and A Fishery Limited. Ogun State

The researcher is picking a sample of 500 employees at a random of for the SMEs, to ensure the accuracy of the study we will use the Yard’s formula in determining sample size.

### Using Yard’s Formula

This is a statistical formular concerned with the application of normal approximation with 95% level of confidence and 5% level of error tolerance (Easterby et al, 2011). The formular is given below in determining the sample size;  $n = \frac{N}{1+\alpha^2 N}$

The sample size is determined by  $[n = \frac{N}{1+N_e^2}]$

Where: n = the sample size  
N = population  
e = the limit of tolerance

$$\text{Thus, } n = \frac{500}{1+500(0.05)^2}$$

$$= \frac{500}{1+500(0.0025)}$$

$$= \frac{500}{1+3}$$

$$= \frac{500}{4}$$

$$= 125 \text{ respondents}$$

The sample size of this research is 125 respondents from the population. This is because the nature of this research seeks to collect data from the direct participants of the research project (Gibbs, 2007).

**Table 1.** Distribution of respondents and response rate

<b>Respondents Occupation</b>	<b>Questionnaire administered (sampled)</b>	<b>Percentage of total response (%)</b>
Top Level	27	24.8
Middle Level	16	14.7
Level Lower	66	60.5
Total	109	100.0
<b>Gender/Category</b>	<b>Questionnaire administered (sampled)</b>	<b>Percentage of total response (%)</b>
Male	62	56.9
Female	47	43.1
No of Returned	109	87.2
No of Not Returned	16	12.8
Total no of Questionnaires	125	100

Source: Field Survey 2017

#### **4. DATA PRESENTATION AND ANALYSIS.**

**Table 2.** The Descriptive statistics of Organizational Learning and Corporate Performance

<b>Responses</b>	<b>Total (N)</b>	<b>Mean</b>
<b>Focus Strategy and Customer Relationship</b>		
Adopting focus strategy assist in building customer relationship	109	4.79
The company has the capacity to achieve more when focus strategy is adopted.	109	3.81
Adoption of focus strategies makes the employees to be creative in thinking	109	3.84
Adoption of focus strategy makes the firm to be ahead of other competitors in the business line.	109	3.69
The company treat customers with respect and courtesy and listen to them	109	3.66
Employees are encouraged to be part of focus strategic initiatives.	109	3.59
The company treat your personal information as confidential	109	3.99

The company use feedback as a way of improving service standard	109	3.76
Focus strategy adopted comes up in different techniques in the organization	109	3.63
We experience regular changes in techniques in focus strategy process	109	3.56

**Hypothesis Testing**

Ho<sub>1</sub> Focus strategy has no significant influence on the customer relationship of SMEs.

Ha<sub>1</sub> Focus strategy has a significant influence on the customer relationship of SMEs.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.328(a)	.108	.102	.44359

a Predictors: (Constant), focus strategy  
Source: Field Survey 2017

The model summary shows how much of the variance in the dependent variable (customer relationship) is explained by the model (focus strategy would enhance to customer relationship). The R square is .108 expressed by a 10.8% of the variance in focus strategy would enhance customer relationship.

**ANOVA (b)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.082	1	4.082	20.747	.000(a)
	Residual	33.844	172	.197		
	Total	37.927	173			

a Predictors: (Constant), focus strategy  
b Dependent Variable: customers relationship  
Source: Field Survey 2017

**Coefficients (a)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	3.144	.270		11.634	.000
focus strategy	.281	.062	.328	4.555	.000

a Dependent Variable: customers relationship  
 Source: Field Survey 2017

This table seeks to ascertain the variables that contributed significantly to the prediction of the dependent variable. The beta value is used to ascertain this. The beta value (.502) indicates that focus strategy would enhance customer relationship.

**Interpretation of Result**

From the above tables and analysis, it is valid to contribute that focus strategy would affect customer relationship. This is because “p” <0.05 as indicated in the ANOVA table above. Furthermore, it is valid to conclude that focus strategy is essential given the **Beta Value (.328)**

**Decision Rule**

Reject the null hypothesis (H<sub>01</sub>) and accept the alternative hypothesis (H<sub>a1</sub>). Therefore focus strategy would affect customer relationship.

**5. EMPIRICAL FINDINGS FROM THE STUDY**

- The study found out that focus strategy would affect customer relationship of small and medium enterprises which can be linked with the findings of (Ashibogwu 2008) that stated that adoption of focus strategy for many SMEs in Nigeria seems not clear as many SMEs fail to survive due to lack focus strategy as a means of boosting demand to increase market share.
- This study has further proven that organizations achieve a great efficiency gain by engaging in focus strategy by creating products to respond to the evolving market (Teece and Pisano, 1994; Verona, 1999). It was suggested by Porter (1985) that the ability of an organization to employ and develop a high technology for its product goes a long way in determining the strategic position. Further speaking, he argues that the ability of an organization to be able to lead and maintain technological change in the industry eventually give such organization a justifiable competitive advantage over others.

## 6. CONCLUSION

The study concluded that there is need for enterprises to pay attention to focus strategy because of challenges of competitors in the business environment and also focus strategy has significant effect on customers' relationship. This study is an important study that helps to examine the effects of focus strategies on small and medium enterprise performance in Nigeria. The study found that business enterprises that have good focus strategies have the susceptibility of performing better in business than competitors in industry.

## 7. RECOMMENDATIONS

- The findings in this study have shown that focus strategy has significant effect on customers' relationship. Therefore it is important for small and medium enterprises to learn more innovative ways of pleasing and satisfying the needs of employees at work to increase sales turnover of their business.
- Enterprises should make sure that their management adopts focus strategy for organizational efficiency and to achieve the organizational objectives

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