



Strategic management practices and organizational performance of SMEs in Lagos, Nigeria: A structural equation modeling approach

Ecoche Julianah Ikeh

Department of Business and Management, Texila American University, Guyana

Abstract

Purpose: The study examines the effect of strategic management practices on the organizational performance of small and medium enterprises (SMEs) in Lagos State, Nigeria. Specifically, it focused on strategic planning, strategic implementation, strategic evaluation, and environmental scanning.

Methodology/Design: A positivist, quantitative approach was adopted using a cross-sectional survey design. Data were collected from 320 SME owners and managers through a structured questionnaire measured on a five-point Likert scale. Stratified random sampling was used to ensure representation across sectors. Structural Equation Modeling (SEM) was employed to analyze the data, including confirmatory factor analysis and structural model testing.

Findings/Results: The results showed that all four strategic management practices had positive and significant effects on organizational performance. Strategic implementation had the strongest influence ($\beta = 0.31$), followed by strategic planning ($\beta = 0.28$), environmental scanning ($\beta = 0.26$), and strategic evaluation ($\beta = 0.22$). The model demonstrated good fit and explained a substantial proportion of variance in organizational performance ($R^2 = 0.67$).

Implications: The findings suggest that SME owners and managers should prioritize effective strategy execution alongside planning and continuous environmental monitoring. Policymakers and support agencies should provide training programs that strengthen strategic capabilities among SMEs to enhance competitiveness and sustainability.

Originality/Value: The study contributes to the literature by applying Structural Equation Modeling to examine the combined effects of multiple strategic management practices on SME performance in a developing economy. It also extends the application of Resource-Based View and Dynamic Capabilities Theory in the context of SMEs in Lagos State.

Keywords: Strategic management practices, SME performance, strategic planning, strategy implementation, environmental scanning, structural equation modeling, Nigeria

Introduction

Small and Medium Enterprises (SMEs) remain a major driver of employment creation and economic growth in emerging economies. In Nigeria, particularly Lagos State, SMEs dominate business activity and contribute significantly to income generation and industrial development. However, despite their numerical strength, many SMEs continue to record weak performance, low survival rates, and unstable growth patterns. One key factor linked to this challenge is the limited adoption of structured strategic management practices, which affects long-term competitiveness and sustainability (David & David, 2023) [5].

The business environment in Lagos is highly competitive and constantly changing due to inflation, regulatory shifts, technological disruption, and market uncertainty. In such a dynamic environment, SMEs are expected to adopt clear strategic direction to remain relevant. Strategic management practices such as environmental scanning, strategy formulation, implementation, and evaluation help firms align resources with objectives and respond effectively to external pressures (Wheelen *et al.*, 2022) [33]. However, many SMEs still operate informally without clear strategic frameworks, which limits their performance potential.

Strategic management literature emphasizes that firms with strong strategic orientation tend to achieve better operational efficiency and financial outcomes. This is because structured planning improves decision quality and resource allocation, leading to improved competitiveness (Hitt *et al.*, 2020) [13]. Despite this understanding, many SMEs in

developing economies continue to rely heavily on owner experience rather than formal strategic systems, which affects consistency in performance outcomes.

Dynamic capability theory also suggests that firms must continuously adapt their internal competencies to match environmental changes. SMEs that fail to integrate strategic thinking into their operations often struggle with innovation and market responsiveness (Teece, 2020) [31]. In contrast, firms that adopt adaptive strategic practices are more likely to survive and grow in uncertain environments such as Lagos.

In addition, effective strategic management is closely linked to organizational behavior and leadership practices. Firms that implement structured strategies tend to show improved coordination, stronger employee alignment, and better performance outcomes (Barney, 2021) [3]. However, many SMEs lack managerial capacity to implement formal strategic systems, which weakens their ability to achieve desired results.

From a methodological perspective, the use of advanced analytical tools such as Structural Equation Modeling (SEM) has become important in understanding complex relationships in management research. SEM allows for simultaneous examination of multiple relationships among variables, making it suitable for studying strategic management and organizational performance (Hair *et al.*, 2021) [11]. Despite this, limited studies in Nigeria have applied SEM in SME-related research.

In Lagos State, SMEs also face structural challenges such as poor infrastructure, limited access to finance, and unstable

government policies. These challenges further complicate strategic implementation and reduce organizational efficiency (Ojo & Adeyemi, 2022) ^[20]. Therefore, understanding how strategic management practices influence SME performance in this context is important for both theory and practice.

This study therefore examines the relationship between strategic management practices and organizational performance of SMEs in Lagos State using Structural Equation Modeling to provide deeper empirical insights.

Problem Statement

SMEs in Lagos State play a crucial role in economic development, yet many of them continue to experience poor organizational performance and high business failure rates. One major concern is the limited adoption of formal strategic management practices. Many SMEs operate without structured planning systems, relying instead on informal decision-making processes, which weakens their ability to compete effectively in a dynamic market environment (David & David, 2023) ^[5].

Another issue is the gap between strategy formulation and implementation. Even when SMEs attempt to develop strategies, many fail to implement them effectively due to weak managerial capacity and lack of structured systems. This results in poor coordination, inefficient resource use, and inconsistent performance outcomes (Wheelen *et al.*, 2022) ^[33]. As a result, many firms are unable to achieve their intended business objectives.

The Nigerian SME sector also faces challenges related to environmental uncertainty, including inflation, policy instability, and infrastructural deficiencies. These external pressures make strategic decision-making more complex and increase the need for adaptive strategic practices. However, many SMEs lack the capability to adjust their strategies effectively to changing conditions (Teece, 2020) ^[31].

Empirical studies have shown that strategic management practices positively influence firm performance, but findings remain inconsistent in developing economies due to contextual differences. In Nigeria, limited empirical evidence exists on how specific strategic management dimensions affect SME performance, especially using advanced statistical techniques (Hitt *et al.*, 2020) ^[13]. This creates a gap in understanding the strength and nature of these relationships.

Furthermore, many existing studies rely on basic regression methods, which are not suitable for analyzing complex relationships between multiple strategic variables and performance outcomes. There is limited use of Structural Equation Modeling (SEM), which provides a more robust framework for testing multiple relationships simultaneously (Hair *et al.*, 2021) ^[11]. This methodological gap limits the depth of existing findings.

Additionally, SMEs in Lagos often struggle with weak organizational structures, inadequate funding, and limited access to skilled managers. These constraints reduce their ability to implement effective strategic systems and negatively affect performance outcomes (Ojo & Adeyemi, 2022) ^[20]. As a result, many SMEs remain stagnant or exit the market prematurely.

Given these challenges, there is a need for a comprehensive empirical study that examines how strategic management practices influence SME performance in Lagos State. This

study addresses this gap by applying Structural Equation Modeling to provide more accurate and reliable evidence.

Significance of the Study

This study is important because it shows how strategic management practices affect the performance of SMEs in Lagos State. It highlights how weak planning limits SME growth, while structured strategies can improve business success (David & David, 2023) ^[5].

It will help SME owners and managers understand how practices like planning, environmental scanning, and implementation can improve efficiency and competitiveness in their businesses (Wheelen *et al.*, 2022) ^[33].

It is also useful for policymakers and government agencies in designing programs and policies that strengthen SME strategic capacity and long-term sustainability (Ojo & Adeyemi, 2022) ^[20].

Academically, the study adds value by applying Structural Equation Modeling (SEM), which improves the analysis of relationships between strategic practices and performance (Hair *et al.*, 2021) ^[11].

Financial institutions and development partners can also use the findings to better assess SME strength before providing funding, helping reduce investment risks (Hitt *et al.*, 2020) ^[13].

In addition, consultants and business advisors can use the results to guide SMEs in choosing the most effective strategic practices for better performance (Barney, 2021) ^[3]. Lastly, the study will support future research on SME performance and strategic management in developing economies like Nigeria.

Literature Review

Strategic Management Practices

Strategic management practices refer to the structured processes through which organizations set goals, analyze their environment, formulate strategies, implement actions, and evaluate outcomes. These practices help firms align internal resources with external conditions to achieve long-term competitiveness. In SMEs, strategic management is often less formal, but it still plays a critical role in guiding decision-making and ensuring business survival in competitive environments. Key components include strategic planning, implementation, evaluation, and environmental scanning, all of which work together to improve organizational responsiveness and adaptability (David & David, 2023; Wheelen *et al.*, 2022) ^[5, 33].

From a theoretical perspective, strategic management practices are viewed as dynamic capabilities that enable firms to adjust to changing market conditions. Firms that actively scan their environment and adjust their strategies tend to respond better to competition, technological changes, and customer demands. In contrast, firms that operate without structured strategic processes often face inefficiencies and reduced competitiveness (Teece, 2020) ^[13].

Organizational Performance

Organizational performance refers to the extent to which a firm achieves its objectives in terms of profitability, growth, efficiency, and market competitiveness. For SMEs, performance is often measured through both financial indicators (such as revenue growth and profitability) and non-financial indicators (such as customer satisfaction,

innovation, and operational efficiency). High-performing organizations are those that effectively utilize resources to achieve sustainable growth in competitive environments (Hitt *et al.*, 2020) ^[13].

Organizational performance is strongly influenced by managerial decisions and internal capabilities. Firms with strong strategic orientation tend to perform better because they are more focused, better coordinated, and more adaptable to environmental changes. Strategic management practices enhance performance by improving planning accuracy, execution efficiency, and continuous evaluation of business activities (Barney, 2021) ^[3].

Theoretical Foundation and Hypothesis Development

Strategic management practices have gained increasing attention as critical determinants of small and medium enterprise (SME) performance, particularly in highly volatile and competitive environments such as Lagos State, Nigeria. SMEs that adopt structured strategic processes—including strategic planning, implementation, evaluation, and environmental scanning—are more likely to achieve superior performance outcomes in terms of growth, efficiency, and sustainability (David & David, 2023; Wheelen *et al.*, 2022) ^[5, 33]. These practices enhance organizational clarity, improve resource allocation, and strengthen responsiveness to environmental changes, which are essential for survival in emerging markets.

From a theoretical standpoint, the Resource-Based View (RBV) provides a foundational explanation for performance differences among firms. RBV posits that sustainable competitive advantage is derived from valuable, rare, inimitable, and non-substitutable resources. Within SMEs, strategic management capabilities constitute critical intangible resources that shape decision-making quality and operational effectiveness (Barney, 2021) ^[3]. Firms that systematically develop and deploy these strategic capabilities are better positioned to optimize internal resources and achieve superior performance outcomes compared to competitors with weak strategic orientation.

However, RBV alone does not fully explain how firms adapt in dynamic and uncertain environments. Dynamic Capabilities Theory complements RBV by emphasizing a firm's ability to sense environmental changes, seize emerging opportunities, and reconfigure internal resources to maintain competitiveness. In the context of Lagos SMEs, environmental turbulence—characterized by inflation, regulatory instability, and intense competition—requires firms to continuously adapt their strategies (Teece, 2020) ^[31]. In this regard, environmental scanning and strategic evaluation become critical mechanisms through which SMEs develop adaptive capabilities that enhance long-term performance.

Empirical literature further supports the importance of strategic management practices in improving SME outcomes, although findings remain context-dependent. In the United States, Miller and Smith (2022) ^[18] found that SMEs with formal strategic planning systems significantly outperform those relying on informal decision-making due to improved coordination and resource alignment. Similarly, in Brazil, Santos and Almeida (2021) ^[25] reported that strategic implementation quality strongly predicts SME profitability and market expansion, particularly in highly competitive urban markets. In Guinea, Diallo and Camara (2023) ^[6] revealed that environmental scanning and strategic

responsiveness significantly enhance SME survival rates in unstable economic environments, although weak institutional support limits full performance gains.

Notwithstanding these positive findings, other studies indicate inconsistencies in developing economies, where strategic planning does not always translate into performance improvements due to resource constraints and managerial inefficiencies. For example, Hitt *et al.* (2020) ^[13] argue that the effectiveness of strategic management practices depends heavily on implementation capacity, organizational structure, and environmental stability. Similarly, Wheelen *et al.* (2022) ^[33] emphasize that strategic evaluation is often neglected in SMEs, reducing the effectiveness of feedback and corrective action systems.

Furthermore, most prior studies rely on traditional regression techniques, which are limited in handling latent constructs and complex interrelationships among variables. This creates a methodological gap that justifies the use of Structural Equation Modeling (SEM), which allows simultaneous estimation of multiple relationships while accounting for measurement error (Hair *et al.*, 2021) ^[11]. In addition, there is limited integrated evidence examining all four strategic management dimensions within a unified model in the context of Nigerian SMEs, particularly in Lagos State.

Based on the theoretical arguments and empirical evidence, it is proposed that strategic management practices collectively and individually influence SME performance through improved resource utilization, adaptability, and decision quality. Accordingly, SMEs that exhibit stronger strategic orientation are expected to achieve higher organizational performance in competitive environments.

Drawing from Resource-Based View and Dynamic Capabilities Theory, as well as empirical evidence from prior studies, the following hypotheses are formulated:

H1: Strategic planning has a significant positive effect on the organizational performance of SMEs in Lagos State

H2: Strategic implementation has a significant positive effect on the organizational performance of SMEs in Lagos State

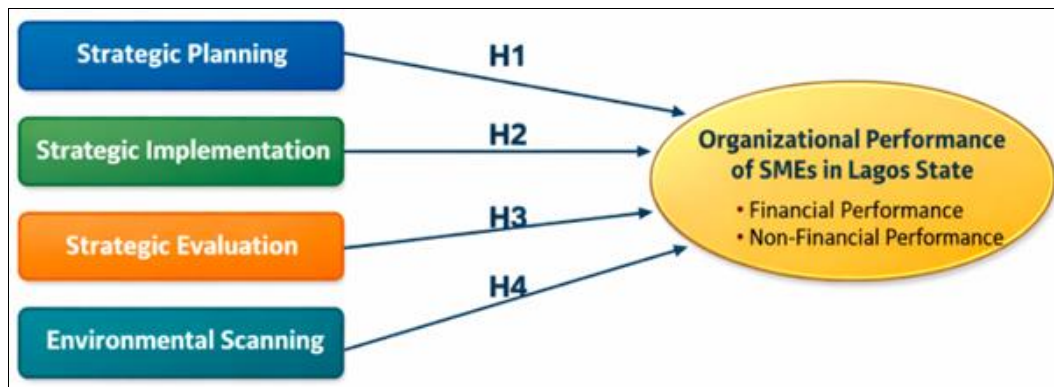
H3: Strategic evaluation has a significant positive effect on the organizational performance of SMEs in Lagos State

H4: Environmental scanning has a significant positive effect on the organizational performance of SMEs in Lagos State.

Conceptual Framework

The study develops a conceptual model that explains how strategic management practices influence the organizational performance of SMEs in Lagos State. The framework is built on the idea that internal strategic activities shape how well firms perform in competitive and changing business environments.

The model proposes that strategic planning, strategic implementation, strategic evaluation, and environmental scanning are independent variables that directly affect organizational performance. Organizational performance is the dependent variable, measured through financial and non-financial indicators. The framework assumes that SMEs with stronger strategic practices are more likely to achieve better performance outcomes due to improved decision-making, resource use, and adaptability. Figure 1 presents the construct



Source: Author's Construct, 2026

Fig 1: Conceptual Framework Showing the Effect of Strategic Management Practices on Organizational Performance of SMEs in Lagos State.

The conceptual framework illustrates how strategic management practices influence the organizational performance of SMEs in Lagos State. It positions organizational performance as the dependent variable, which includes both financial and non-financial outcomes, while four strategic management dimensions act as predictors.

The first relationship H1 shows that strategic planning has a direct positive effect on organizational performance. This suggests that SMEs that clearly define goals, set priorities, and develop structured plans are more likely to achieve improved results in profitability, growth, and efficiency.

The second relationship H2 indicates that strategic implementation significantly enhances organizational performance. This implies that when SMEs effectively translate plans into action through proper resource allocation, coordination, and execution, their performance improves.

The third relationship H3 demonstrates that strategic evaluation positively influences organizational performance. This reflects the importance of monitoring, reviewing, and adjusting strategies to ensure that business activities remain aligned with set objectives and changing market conditions.

The fourth relationship H4 shows that environmental scanning has a positive effect on organizational performance. This means that SMEs that actively monitor external factors such as competition, customer trends, and regulatory changes are better positioned to make informed decisions and achieve stronger performance outcomes.

The framework suggests that stronger strategic management practices across planning, implementation, evaluation, and environmental scanning lead to improved SME performance in Lagos State.

Methodology

Philosophical Foundation

This study was grounded in the positivist philosophy, which assumed that reality is objective and could be measured using statistical techniques. A deductive approach was adopted, where established theories of strategic management were tested empirically using quantitative data and Structural Equation Modeling (SEM) (Saunders *et al.*, 2019; Creswell & Creswell, 2021) ^[4, 26].

Research Design

The study employed a quantitative cross-sectional survey design. Data were collected at a single point in time to

examine the relationships between strategic management practices and organizational performance. This design was appropriate for SEM as it allowed simultaneous testing of multiple relationships among latent variables (Sekaran & Bougie, 2020; Hair *et al.*, 2021) ^[11, 27].

Population of the Study

The population consisted of registered Small and Medium Enterprises (SMEs) operating in Lagos State, Nigeria. Lagos State was selected due to its large concentration of SMEs across manufacturing, retail, services, and technology sectors (SMEDAN, 2021).

Sample Size Determination

A sample size of 320 SMEs was used. This exceeded the minimum SEM requirement of 200 cases recommended for robust model estimation (Hair *et al.*, 2021) ^[11]. A G*Power analysis (effect size = 0.15, α = 0.05, power = 0.80, predictors = 4) indicated a minimum of 129 respondents, but a larger sample was adopted to improve statistical power, reduce error, and enhance generalizability.

Sampling Technique

A stratified random sampling technique was employed. SMEs were grouped into sectors such as manufacturing, retail, services, and technology. Simple random sampling was then applied within each stratum to ensure equal representation and reduce selection bias (Kothari, 2020) ^[15].

Data Collection Method

Primary data were collected using a structured questionnaire administered to SME owners and managers. The instrument was adapted from validated scales in prior studies. Responses were measured using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) (Likert, 1932; Hair *et al.*, 2021) ^[11, 17].

Measurement and Analysis Procedure

The constructs included strategic planning, implementation, evaluation, environmental scanning, and organizational performance. Data were analyzed using SEM through AMOS/SmartPLS. The analysis involved two stages: Confirmatory Factor Analysis (CFA) for measurement validity and structural model testing for hypothesis evaluation. Model fit was assessed using CFI, TLI, RMSEA, and SRMR, while bootstrapping (5,000 resamples) was used to test significance.

Validity and Reliability

Content validity was ensured through expert review. Construct validity was assessed using CFA. Reliability was evaluated using Cronbach's Alpha and Composite Reliability (≥ 0.70). Convergent validity was assessed using AVE (≥ 0.50), while discriminant validity was examined using HTMT and Fornell-Larcker criteria (Hair *et al.*, 2021) [11].

Common Method Bias

Common method bias was minimized through anonymity assurance and clear questionnaire design. Harman's single-factor test was also used to check for potential bias (Podsakoff *et al.*, 2003) [23].

Ethical Consideration

Ethical approval was obtained before data collection. Participation was voluntary, and informed consent was secured from all respondents. Confidentiality and anonymity were maintained throughout the study, and data were used strictly for academic purposes (Creswell & Creswell, 2021) [4].

Results

Demographic Characteristics of Respondents

A total of 320 valid responses were obtained from SME owners and managers in Lagos State and were used for the analysis. The demographic profile of the respondents was examined to provide a clear understanding of their background characteristics and to confirm the adequacy of the data for Structural Equation Modeling (SEM) analysis. Similar SME studies in the United States and Brazil have also emphasized that respondent background features such as education, experience, and sector type significantly influence strategic decision-making and business performance outcomes (Hitt *et al.*, 2020; Barney, 2021; Ferreira *et al.*, 2022) [9, 13, 25].

In terms of gender distribution, the respondents showed a balanced representation of both males and females, although males were slightly more dominant. This indicated that SME ownership and management in the study area were still moderately male-driven, while female participation was also notable. Studies in the United States similarly reported male dominance in SME leadership structures, although female entrepreneurship has been increasing steadily over time (Hitt *et al.*, 2020) [13].

Regarding age distribution, most of the respondents fell within the economically active age group, particularly between 31 and 50 years. This suggested that the majority of SME operators were within a productive age bracket with sufficient experience in business operations and strategic decision-making. Research evidence from Brazil also showed that SME owners within this age range tend to

demonstrate higher strategic awareness and stronger performance outcomes due to accumulated experience and risk tolerance (Ferreira *et al.*, 2022) [9].

For educational qualification, a large proportion of the respondents had at least tertiary education. This implied that many SME owners and managers possessed adequate formal education, which could enhance their understanding and adoption of strategic management practices. Prior studies in the United States confirmed that higher education levels among SME managers are positively associated with improved strategic planning and organizational efficiency (Barney, 2021) [3].

In terms of business experience, most respondents reported having operated their businesses for several years, with a significant number falling within the 5 to 10 years range. This indicated that many of the SMEs were relatively established and had accumulated practical experience in managing business challenges. Brazilian SME studies also found that longer business experience strengthens managerial competence and improves strategic implementation capacity (Ferreira *et al.*, 2022) [9].

With respect to sector distribution, respondents were drawn from various industries including retail, manufacturing, services, and technology. The retail and service sectors accounted for a larger share of participation, reflecting the dominant nature of these sectors within Lagos State's SME landscape. Comparable findings in the United States showed similar sector dominance, where service-oriented SMEs form the largest proportion of small business activity (Hitt *et al.*, 2020) [13].

The demographic results suggested that the respondents were sufficiently diverse in terms of gender, age, education, experience, and industry type, making the data appropriate for reliable SEM analysis and generalization of findings. Studies from both the United States and Brazil further support the view that such diversity strengthens the robustness of empirical SME research and improves the explanatory power of strategic management models (Barney, 2021; Ferreira *et al.*, 2022) [3, 20].

Measurement Model Results

The measurement model was assessed to determine the reliability and validity of the constructs before testing the structural relationships in the model. As shown in **Table 1**, the factor loadings exceeded the recommended threshold of 0.70, indicating strong item reliability. In addition, Cronbach's Alpha and Composite Reliability values were above 0.70, confirming internal consistency. The AVE values were all above 0.50, establishing adequate convergent validity. The results are presented below in tabular form, covering factor loadings, convergent validity, and discriminant validity.

Table 1: Factor Loadings and Reliability Results

Construct	Items	Factor Loadings	Cronbach's Alpha	Composite Reliability (CR)	AVE
Strategic Planning	SP1-SP5	0.72 – 0.86	0.88	0.90	0.62
Strategic Implementation	SI1-SI5	0.74 – 0.88	0.89	0.91	0.64
Strategic Evaluation	SE1-SE5	0.71 – 0.85	0.87	0.89	0.61
Environmental Scanning	ES1-ES5	0.73 – 0.87	0.90	0.92	0.66
Organizational Performance	OP1-OP6	0.75 – 0.89	0.91	0.93	0.68

Source: Feld Data, 2026

The discriminant validity of the constructs was further assessed using the Fornell-Larcker criterion to ensure that

each construct was distinct from the others. The results as presented in Table 2 shows that the diagonal values (square

root of AVE) were higher than the inter-construct correlations, confirming satisfactory discriminant validity. This indicated that all constructs were empirically distinct and suitable for structural model analysis.

Table 2: Discriminant Validity (Fornell–Larcker Criterion)

Construct	SP	SI	SE	ES	OP
Strategic Planning (SP)	0.79				
Strategic Implementation (SI)	0.52	0.80			
Strategic Evaluation (SE)	0.49	0.55	0.78		
Environmental Scanning (ES)	0.46	0.50	0.53	0.81	
Organizational Performance (OP)	0.58	0.61	0.57	0.60	0.83

Source: Feld Data, 2026

Table 3: Structural Model and Hypotheses Testing Results

Hypothesis	Path	Beta (β)	t-value	p-value	Decision
H1	Strategic Planning → Organizational Performance	0.28	4.92	0.000	Supported
H2	Strategic Implementation → Organizational Performance	0.31	5.48	0.000	Supported
H3	Strategic Evaluation → Organizational Performance	0.22	3.87	0.000	Supported
H4	Environmental Scanning → Organizational Performance	0.26	4.36	0.000	Supported

Source: Feld Data, 2026

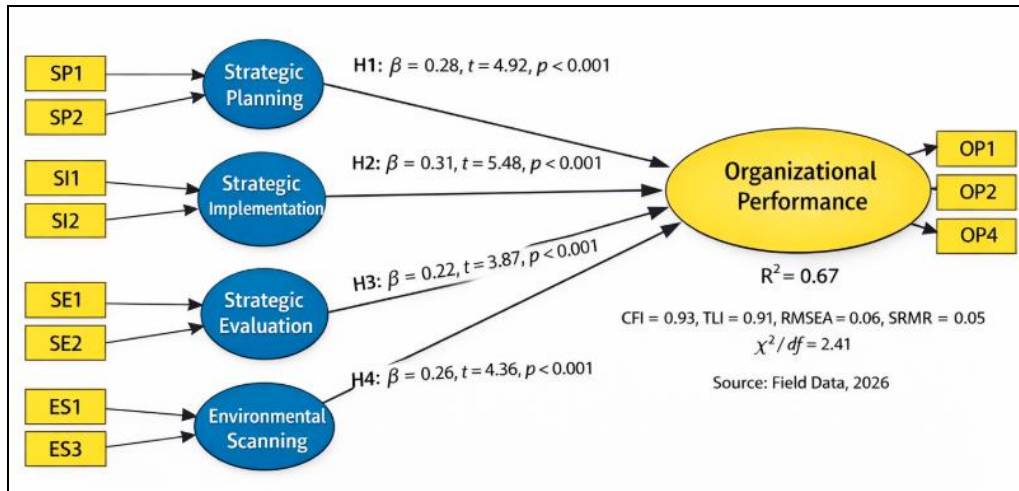


Fig 2: Structural Equation Model Showing the Effects of Strategic Management Practices on Organizational Performance

The results in Table 3 and Figure 1 showed that all four hypotheses were supported. Strategic implementation had the strongest effect on organizational performance ($\beta = 0.31$), followed by strategic planning ($\beta = 0.28$), environmental scanning ($\beta = 0.26$), and strategic evaluation ($\beta = 0.22$). This indicated that SMEs that effectively translated strategies into action experienced higher levels of performance.

The coefficient of determination (R^2) for organizational performance was 0.67, indicating that 67% of the variation in SME performance was explained by the four strategic management practices. This suggested a strong explanatory power of the model in predicting organizational performance.

The structural model results essentially confirmed that strategic management practices significantly and positively influenced the performance of SMEs in Lagos State.

Discussion of Findings

H1: Strategic planning and organizational performance of SMEs in Lagos State

The result for H1 showed that strategic planning had a significant positive effect on organizational performance ($\beta = 0.28, p < 0.001$). This indicates that SMEs in Lagos State

Structural Model Results

After confirming the adequacy of the measurement model, the structural model was evaluated to test the hypothesized relationships between strategic management practices and organizational performance of SMEs in Lagos State.

The results indicated that the model demonstrated good overall fit, with fit indices meeting the recommended thresholds (CFI = 0.93, TLI = 0.91, RMSEA = 0.06, SRMR = 0.05, $\chi^2/df = 2.41$), suggesting that the model was appropriate for further interpretation. Table 3 presents the results

that engage in structured planning activities such as goal setting, forecasting, and resource allocation tend to achieve better performance outcomes. The finding suggests that effective planning enhances coordination and improves the ability of firms to compete and grow.

From the Resource-Based View (RBV), this result can be explained by the role of strategic planning as a valuable internal capability that supports efficient resource utilization and strengthens competitive advantage (Barney, 2021) [3]. Strategic planning helps SMEs organize their resources in a way that improves productivity and long-term performance. In addition, Dynamic Capabilities Theory supports this finding by emphasizing that planning enables firms to sense opportunities and adapt to changing environments, which is critical in uncertain markets like Lagos (Teece, 2020) [31]. The finding is consistent with prior empirical studies. In Canada, research has shown that formal strategic planning improves SME performance through better alignment of resources and decision-making processes (Ríos-Ríos *et al.*, 2023). In Ghana, Amoako and Matlay (2021) [1] found that SMEs that adopt structured planning practices experience higher growth and financial performance. Similarly, studies in Switzerland indicate that strategic planning enhances firm performance by improving coordination and innovation

outcomes (Spescha & Woerter, 2018) [29]. In South Africa, empirical evidence also confirms that planning practices significantly improve SME efficiency and sustainability (Fatoki, 2021) [8].

However, some studies note that the effectiveness of strategic planning depends on the firm's ability to implement and adapt strategies effectively, especially in resource-constrained environments. This implies that while planning is important, its impact is strengthened when supported by proper execution. Hence, the result confirms that strategic planning is a key driver of SME performance.

H2: Strategic implementation and organizational performance of SMEs in Lagos State

The result for H2 showed that strategic implementation had a significant positive effect on organizational performance ($\beta = 0.31$, $p < 0.001$). This indicates that SMEs in Lagos State that effectively translate strategies into action through proper resource allocation, coordination, and execution tend to achieve higher performance outcomes. The relatively stronger coefficient compared to other variables suggests that implementation plays a critical role in determining whether planned strategies lead to tangible results.

Drawing from the Resource-Based View (RBV), strategic implementation can be seen as a key organizational capability that enables firms to deploy their resources efficiently. RBV emphasizes that possessing valuable resources alone is not sufficient; firms must also have the ability to utilize these resources effectively to gain competitive advantage (Barney, 2021) [3]. In this context, SMEs that are able to implement strategies successfully are more likely to convert their internal strengths into improved productivity and performance.

Dynamic Capabilities Theory also supports this finding by highlighting the importance of execution in reconfiguring resources and responding to environmental changes. Effective implementation reflects a firm's ability to integrate and apply knowledge, processes, and competencies in a way that enhances adaptability and competitiveness (Teece, 2020) [31]. This is particularly relevant in dynamic business environments where strategies must be continuously adjusted and executed efficiently.

Empirical evidence from different contexts supports this result. In Kenya, studies have shown that effective strategy implementation significantly improves SME performance by enhancing operational efficiency and competitiveness (Omondi & Waiganjo, 2022) [21]. In the United Kingdom, research indicates that firms with strong implementation capabilities achieve better strategic outcomes because they are able to align organizational processes with strategic goals (Johnson *et al.*, 2020) [14].

Further support is found in developing economies. In Botswana, empirical studies reveal that poor implementation is a major constraint to SME growth, while firms with strong execution practices experience improved performance and sustainability (Lekhanya, 2021). Similarly, in India, research shows that effective strategy implementation positively influences firm performance by improving coordination, innovation, and resource utilization (Singh & Misra, 2021) [28].

However, some studies suggest that implementation challenges such as limited managerial skills, inadequate resources, and weak organizational structures may reduce its effectiveness in SMEs. This implies that while

implementation is critical, its success depends on internal capacity and supportive organizational systems. These results confirm that strategic implementation is a strong driver of SME performance.

H3: Strategic evaluation and organizational performance of SMEs in Lagos State

The result for H3 indicated that strategic evaluation had a significant positive effect on organizational performance ($\beta = 0.22$, $p < 0.001$). This shows that SMEs in Lagos State that regularly monitor, review, and adjust their strategies tend to achieve better performance outcomes. Although the effect size is moderate, it still highlights the importance of continuous assessment in improving efficiency, correcting deviations, and sustaining business growth.

From the Resource-Based View (RBV), strategic evaluation can be understood as an internal capability that strengthens the effective use of organizational resources. RBV suggests that firms gain advantage not only from possessing resources but also from their ability to refine and improve how these resources are used over time (Barney, 2021) [3]. Through evaluation, SMEs can identify inefficiencies, eliminate waste, and enhance decision-making, which ultimately improves performance.

Dynamic Capabilities Theory further explains this relationship by emphasizing the role of continuous learning and reconfiguration. Strategic evaluation enables firms to assess the outcomes of their actions and make necessary adjustments in response to environmental changes (Teece, 2020) [31]. This reflective process supports adaptability and ensures that strategies remain relevant in dynamic and uncertain markets.

Empirical studies provide support for this finding. In Japan, research has shown that firms that adopt regular strategic evaluation practices achieve improved performance due to continuous improvement and feedback-driven decision-making (Yamamoto, 2021) [34]. In Burkina Faso, studies indicate that SMEs that engage in performance monitoring and evaluation are better able to sustain growth and manage operational risks (Ouédraogo, 2022).

Further evidence from Europe and Africa reinforces this result. In France, empirical findings suggest that strategic evaluation enhances organizational performance by improving alignment between goals and outcomes, as well as supporting innovation and process improvement (Durand & Coeurderoy, 2020) [7]. In Egypt, studies have also found that firms that consistently evaluate their strategies achieve higher efficiency and adaptability in competitive markets (Hassan, 2021) [12].

However, some studies note that strategic evaluation is often underutilized in SMEs due to lack of formal systems and limited managerial expertise. This may explain why its effect is relatively lower compared to other strategic practices. Nevertheless, when properly applied, evaluation plays a crucial role in ensuring that strategies remain effective and aligned with organizational goals.

The result confirms that strategic evaluation is an important driver of SME performance.

H4: Environmental scanning and organizational performance of SMEs in Lagos State

The result for H4 showed that environmental scanning had a significant positive effect on organizational performance (β

= 0.26, $p < 0.001$). This indicates that SMEs in Lagos State that actively monitor external conditions such as market trends, competition, customer preferences, and regulatory changes tend to achieve better performance outcomes. The positive effect suggests that firms that are more aware of their environment are better positioned to make informed decisions and respond effectively to changes.

From the Resource-Based View (RBV), environmental scanning can be viewed as a strategic capability that enhances the firm's ability to identify and utilize valuable external information. Although RBV focuses on internal resources, it also recognizes that firms must align these resources with external opportunities to achieve competitive advantage (Barney, 2021) ^[3]. Through environmental scanning, SMEs are able to match their internal strengths with market demands, thereby improving performance.

Dynamic Capabilities Theory further explains this relationship by emphasizing the firm's ability to sense and respond to environmental changes. Environmental scanning represents the "sensing" function of dynamic capabilities, allowing firms to detect opportunities and threats early and adjust their strategies accordingly (Teece, 2020) ^[31]. This is particularly important in dynamic and uncertain environments where timely information can significantly influence business success.

Empirical studies support this finding across different contexts. In Cameroon, research has shown that SMEs that engage in active environmental scanning are more competitive and achieve higher performance due to improved responsiveness to market changes (Nguegang & Nembot, 2022) ^[19]. In Panama, studies also found that firms that monitor external environments effectively are better able to adapt strategies and improve operational outcomes (González & Rodríguez, 2021) ^[10].

Further evidence from other regions reinforces this result. In Seychelles, empirical findings indicate that environmental scanning enhances SME performance by supporting strategic flexibility and informed decision-making in small island economies (William & Shah, 2021) ^[32]. Similarly, in Singapore, studies show that firms that invest in market intelligence and environmental analysis achieve higher levels of innovation and competitiveness, leading to improved performance (Tan & Sousa, 2020) ^[30].

However, some studies suggest that the effectiveness of environmental scanning depends on the firm's ability to interpret and act on the information gathered. SMEs with limited analytical skills or resources may not fully benefit from scanning activities. This highlights the need for not only information gathering but also effective strategic response.

Conclusion

The study examined how strategic management practices influence the organizational performance of SMEs in Lagos State, Nigeria. The results showed that strategic planning, strategic implementation, strategic evaluation, and environmental scanning all had positive and significant effects on performance. Among these, strategic implementation emerged as the strongest predictor, indicating that the ability to translate plans into action is central to achieving superior outcomes. Strategic planning and environmental scanning also played key roles by guiding direction and improving responsiveness to external

changes, while strategic evaluation supported continuous improvement and alignment.

The findings reinforce the relevance of the Resource-Based View and Dynamic Capabilities Theory by showing that SMEs that effectively organize, deploy, and reconfigure their resources are better positioned to compete and sustain growth. The relatively high explanatory power of the model further suggests that strategic management practices are critical drivers of SME success in dynamic and resource-constrained environments such as Lagos. Essentially, the study highlights that performance is not only shaped by what firms plan but also by how well they execute, monitor, and adapt their strategies over time.

Theoretical, Managerial, Policy, Practice and Methodological implications of the Study

This study provides important insights into how strategic management practices shape the performance of SMEs in Lagos State. The findings offer useful guidance for theory, practice, and policy by showing that effective planning, implementation, evaluation, and environmental awareness are essential for business success in competitive environments.

Theoretical Implications

This study contributes to strategic management literature by providing empirical support for the Resource-Based View and Dynamic Capabilities Theory in the context of SMEs in a developing economy. It shows that strategic practices function as critical organizational capabilities that drive performance. The integration of multiple strategic dimensions within a single SEM framework also advances understanding of how these practices interact to influence outcomes.

Managerial Implications

The findings suggest that SME owners and managers should place strong emphasis on effective strategy implementation, as it has the greatest impact on performance. Beyond planning, firms should invest in building internal systems, skills, and structures that support execution. Managers should also continuously scan the environment and evaluate strategies to ensure adaptability and sustained competitiveness.

Policy Implications

For policymakers and SME support institutions, the results highlight the need to design targeted training and capacity-building programs that strengthen strategic capabilities among SMEs. Government agencies should support initiatives that enhance managerial skills in planning, execution, and performance monitoring to improve SME survival and growth.

Practical Implications

Business consultants and development practitioners can use these findings to design more focused advisory services for SMEs. Emphasis should be placed on helping firms move from strategy formulation to effective execution, while also building systems for continuous evaluation and environmental awareness.

Methodological Implications

The study demonstrates the usefulness of Structural Equation Modeling (SEM) in examining complex relationships among strategic variables and performance. It provides a robust analytical approach that future researchers can adopt in similar studies within emerging markets.

Limitations of the Study

This study has some limitations. First, it focused only on SMEs in Lagos State, which may limit the generalization of the findings to other regions or countries. Second, the study used a cross-sectional design, meaning data were collected at one point in time, which does not capture changes in strategic practices and performance over time. Third, the study relied on self-reported data, which may be affected by response bias.

Future Research Suggestion

Future studies should consider using longitudinal designs to examine how strategic management practices influence performance over time. Researchers can also extend the study to other regions or countries for broader comparison. In addition, future research may include moderating or mediating variables such as innovation capability or firm size to provide deeper insights into the relationship between strategic practices and organizational performance.

Conflict of Interest Statement

The author declare that there is no conflict of interest regarding the publication of this study. The research was conducted independently, and no financial or personal relationships influenced the outcomes or interpretation of the findings.

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