ANALYSIS OF FOCUS STRATEGY ON GROWTH OF SMALL AND MEDIUM ENTERPRISES IN YAGSHID DISTRICT MOGADISHU SOMALIA

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Abstract: *Yagshid district is located in the southeastern side of Mogadishu city of Somalia and it is one of largest district in the city. In Yagshid District, Somalia, most of the Small and Medium Enterprises are still in their infant stage as the country strives to recover from the previous decades of civil war that completely destroyed the economy. Successful recovery and growth of these Small and Medium Enterprises in Yagshid District, Somalia require the adoption of focus strategy as generic strategies hence the motivation of the present study. The objective of this study was to assess the influence of focus strategy on growth of Small and Medium Enterprises in Yagshid District, Mogadishu Somalia. The study was underpinned by following theories; resource-based view, dynamic capability theory and the Porters Generic Model. Explanatory survey design was adopted in the study. Population of the study was 81 Small and Medium Enterprises registered operating in Yagshid district Mogadishu, Somalia. 8 Small and Medium Enterprises were selected and used in the pilot testing and they were not included in the final inquiry. Therefore 73 Small and Medium Enterprises were sampled in the study using census sampling techniques. The researcher used quantitative methodology in analyzing the data. Explanatory research design was used. Primary data was gathered with use of the questionnaire that was tested for validity and reliability prior to actual data collection. An interview schedule was used to collect information on growth. The collected data was cleaned edited, checked, coded, and analyzed with the help of statistical package for social science. Regression analysis was used to show the extent of the relationship between variables. Results of this study were presented through figures, graphs and tables. The study established that focus strategy (β=.243, P<0.05) have positive and significant effect on growth of Small and Medium Enterprises in Yagshid district Somalia. The study concludes that focus strategy is a key driver of growth of the Small and Medium Enterprises. The study recommends that managers of the SMEs operating in Yagshid district Somalia should consider the need to establish specific niches where they can target market segmentation based on customer patterns of consumptions social class and location.*

Keywords: *generic strategies, focus strategy, growth and small and medium enterprises*

I.   INTRODUCTION

Background to the Study

According to Growth of the Small and Medium Enterprise (SME) enables it to enhance its market share, expand the customer base, branch network and increase the sales revenues generated. In order to survive, enhance the market share and generate more profits, firms need to embrace strategies including the generic strategies

(Garkaz, Javanshir, Zandieh & Sahar 2016). Adoption of generic strategies helps the firm to focus on specific market niches in the industry (Islami, Mustafa & Latkovikj, 2020) so as to contribute towards growth. Majority of the companies in Albania have endorsed generic strategies and Pulaj, Kume and Cipi (2015) and that focus strategy, has been the key enabler of growth of the firm.

In Iran, Vahdati, Nejad and Shahsiah (2018) orated those generic strategies have a momentous and direct influence on sustainable and dynamic competitive advantage and ultimately growth potential of the firm. Among Australian SMEs, Leitner and Güldenberg (2010) shared those enterprises that have adopted f ocus strategies do well in terms of profitability that represents growth as compared to those businesses pursuing no generic strategy. In the Republic of Kosovo, Islami, Mustafa and Latkovikj (2020) reiterated that firms administrate in a highly competitive landscape and those pursuing differentiation strategies have greater potential of gaining more growth as compared to those the firms pursuing focus and cost leadership strategies.

Focus strategy has not largely been embraced by most of these Kenyan SMEs (Njuguna, 2015). Surprisingly, Kasongo and Misango (2019) were of the view that focus significantly allows firms in Kenya to provide quality products to the customers and thus growth. Adipo (2019) noted that market focus has the highest contribution towards growth. Kabure and Ragui (2020) shared that all firms that operate in a highly competitive environment should embrace generic strategic so as to remain viable and grow. In particular, focus strategy has the potential to grow the sales revenue of the firm.

There are registered 81 SMEs operating in Yagshid District, Somalia (Ministry of Commerce and Industry of Somalia, 2020. However, majority of these firms are faced with challenges of inadequate capabilities that hinder them from exploiting generic strategies so as to contribute towards their growth (Ahmed, Osman, Abdulle & Musse, 2018). Given the scanty literature available in Somalia, with most of the available studies from a global, regional to local perspective relating generic strategies with other concepts like performance or competitive advantage, there still exist contextual and knowledge gap on Somalia firms Hence, the motivation of this study is to empirically provide the link between focus strategy and growth of small and medium enterprises in Yagshid District, Mogadishu Somalia.

Statement of the Problem

SMEs offer opportunity for the unemployed youths in Somalia. The 2015 World Bank study revealed that 70% of Somalis under the age of 30 and two-thirds of Somalis between the ages of 14 and 29 are unemployed. The SMEs are faced with obstacles of changing business environment and increased competition which has threatened their growth. In a bit to counter these forces and grow, SMEs have been forced to reconfigure their generic strategies in place. In Yagshid District, Somalia, most of the SMEs are still in their infant stage as the country strives to recover from the previous decades of civil war that completely destroyed the economy. There are a lot of obstacles that the SME's faces including, lack of direction of SME's. Successful recovery and growth of these SMEs in Yagshid District require the adoption of such strategies as focus strategy hence the motivation of this study. Given the role played by these SMEs in Yagshid District and other parts of the country to the overall Gross Domestic Product of Somalia.

The studies that link generic strategies and SME's growth were conducted in other countries such as Iran, India, and Kenya and not in Somalia thus creating contextual gaps. Therefore, in order to fill these gaps, the study sought to establish the influence of focus strategy on growth of small and medium enterprises in Yagshid District, Mogadishu Somalia.

Objectives of the study

To assess influence of focus strategy on growth of Small and Medium Enterprises in Yagshid District, Mogadishu Somalia

II. LITERATURE REVIEW

Theoretical Framework

Porter's Generic Model of Competitive Advantage

Porter (1980) noted that every generic strategy (e.g. focus) can be independently applied in efforts to enable the entity to compete in a given industry of operation. As such, entities are required to decide on the generic strategies that they should apply so as to compete and grow. It would be more efficient to apply one of the generic strategiessich as focus strategy as opposed to mixing all of them.

Porter (1980), said that organizations that adopt generic tactics would obtain a competitive advantage and therefore thrive. Any organization that follows a strategy of focus, according to Porter (1980), will benefit from improved performance and competitive posture, which will result in increased growth.

Empirical Literature

Focus strategy on growth of Small and Medium Enterprises

Customer focus approach and performance of savings and credit cooperatives (SACCOs) in the Kenyan setting were investigated in a research conducted by Kavulya, Muturi, Rotich, and Ogollah (2018) in Kenya. The survey design used was a cross-sectional survey with 181 entities as the target population. It has been determined that customer focus strategy and performance are inextricably linked to one another and are of critical importance. Akintokunbo (2018) performed research to determine the relationship between market focus strategy and organizational performance. The investigation was limited to telecommunications companies that operated in Port Harcourt. From a total of 134 responses, 100 were chosen as a sample and utilized to collect information for the inquiry. It has been shown empirically that there is a direct and substantial relationship between market focus and organizational success.

Chelanga, Rono, and Boit (2017) performed a research on focus and differentiation strategies and the relationship between them and the financial success of SMEs in the United Kingdom. The study's analysis of the literature revealed that strategy was a crucial element determining the firm's long-term viability and competitive posture. It has been shown that small and medium-sized enterprises (SMEs) play a vital role in Kenya and throughout the globe. Despite the important contribution made by SMEs to the development of the economy, it has been proven that the majority of their potential advantages have gone unmet as a result of inadequate general strategies used by the owners. Primary sources were consulted in order to gain their perspectives, and it was discovered that focus strategy has a significant impact on financial performance. This research, on the other hand, creates a conceptual gap since it solely considers financial success as the dependent variable, rather than growth.

III. RESEARCH METHODOLOGY

Research Methodology

This study adopted the quantitative Research methodology. According to Creswell (2003), quantitative approach is based on variables with numbers and analyzed with statistical procedures.

Research Design

The study adopted an explanatory research design using quantitative methods. Explanatory design supported the use of regression analysis between focus strategy and firm growth. The research design was appropriate because there is scarce information in Yagshid and generally Mogadishu on SMEs growth.

Location of the Study

This study was conducted in Yagshid District in Somalia. Yagshid District is located on the southern side of Mogadishu the capital city of Somalia.

Target Population

The study targeted 81 SMEs operating in Yagshid District in Somalia. These SMEs were categorized into manufacturing and service-oriented business as summarized in Table 1.

Table 1: Categories of SMEs in Yagshid District

SME Category	Population
Manufacturing oriented SME	60
Service oriented SME	21
Total	**81**

Sampling Procedures and Techniques

The study adopted census and thus all the 81 SMEs operating in Yagshid District in Somalia were included in the study. However, 8 SMEs were used to conduct pilot test of the research instruments.

Construction of Research Instruments

The questionnaire was used to gather information. The five-point Likert scale was adopted in measuring the variables of interest in this inquiry.

Validity and Reliability of the Instrument

Content and construct validity were also adopted in this study. In this regard, the researcher shared the questionnaire with experts including the supervisor who was reviewed it along the reviewed literature and the constructs indicated in the conceptual framework. The comments obtained from this exercise guided further modification of the questionnaire before the actual data collection. The study tools were pilot tested in order to determine their reliability. The piloted instruments were adopted to generate the values of Cronbach Alpha coefficients with the value 0.7 and above taken as the threshold.

Data Analysis Techniques and Procedures

The analysis of the collected data was supported by descriptive & inferential statistics. The study leveraged means and standard deviations as well as frequencies and percentages as the key descriptive statistics. For the inferential statistics, regression analysis was adopted with the model as summarized under:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where;

Y= Growth of SMEs

β_0= Y intercept

β_1 to β_3 = régression coefficients

X_1 = Focus strategy

ε= error term

IV. RESEARCH FINDINGS/RESULTS

Descriptive Statistics and Qualitative Analysis

Growth of Small and Medium Enterprises

The findings of descriptive statistics on growth of the SMEs were determined and summarized as indicated in Table 2.

Table 2: Growth of Small and Medium Enterprises

Statements	Mean	Std. Dev
This firm has grown its market share since inception.	3.51	1.120
There is increase of firm profitability.	3.57	1.010
The firm has expanded in terms of branches.	3.87	.962
There is evidence that firm has grown its sales revenue.	3.64	.963
Average	**3.65**	**1.014**

From Table 2, the value of average is given as (M=3.65), this implies that respondents agreed that they firms were experiencing growth. This growth was in terms of branch networks (M=3.87), sales revenues (M=3.64), profitability (M=3.57) as well as market share (M=3.51). These findings are corroborated by the responses obtained from an interview guide. The respondents shared that although their firms had reported a growth in revenues generated, the COVID-19 pandemic has been a major hurdle interfering with business operations. In terms of the branch networks, it emerged from the interview that most of the firms had at least one branch. This contributed towards creation of employment and the overall growth of the economy of Somalia in general. As to whether profitability of the firms had grown, respondents shared that this has been fluctuating specially with the COVID-19 restrictive measures that had adversely impacted on operations. The study noted that there was growth in market share of the studied SMEs. In capturing more market share, the respondent shared that their firm had invested in active sales and marketing efforts. These findings are consistent with Garkaz, et al. (2016) who showed that growth of the Small and Medium Enterprise enables it to increase its market share, expand the customer base, branch network and increase the sales revenues generated.

Focus Strategy

Table 3: Focus Strategy and Growth of Small and Medium Enterprises.

Statements	Mean	Std. Dev
This firm serves its products to a well-established market niche.	3.87	.652
The firm customizes its products based to the needs of customers in a specific market niche.	3.72	.717

Specializing in specific product lines has enabled the firm to serve its customers better.	3.74	1.288
The firm focuses on specific product lines.	3.58	1.064
The firm provides products to special geographical segments.	3.85	1.364
The firm has focused on specific product range.	3.58	1.064
Average	**3.72**	**1.025**

Table 3 reports the value of average as (M=3.72), which infers that respondent agreed that their SMEs had adopted focus strategy. Through this focus strategy, respondents agreed that their firm served its products to well-established market niches (M=3.87) besides providing products to special geographical segments (M=3.85). Respondents further agreed that specializing in specific product lines had enabled the firm to serve its customers better (M=3.74) and that the firms customized their products based on the needs of customers in a specific market niche (M=3.72). The findings are corroborated by Emad et al., (2017) who noted that the fundamental feature of focus strategy is that it places emphasis on a given group of buyers, geographical market or even a given geographical market.

From the foregoing discussion, it can be summed up that the studied SMEs had embraced focus strategy. These findings contradict Chelanga et al., (2017) who shared that in spite of the noble role played by the SMEs towards the growth of the economy, it was documented those major benefits have remained unrealized because of poor generic strategies embraced by the owners.

Regression Results

focus strategy were regressed against SMEs growth and the predicted model between focus strategy and SMEs growth results are explained in. Table 4.

Table 4 is a summary of the beta coefficients and the significance.

Table 4: Beta Coefficients and the Significance

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	6.519	2.311		2.821	.007
Focus Strategy	.243	.035	.693	6.856	.000

Source: Researcher (2022)

From Table 4, the following is the resultant predicted model between focus strategy and SMEs growth.

$Y = 6.519 + .243X_1$

Where;

Y= Growth of SMEs

X_1 = Focus strategy

At 5% level of significance, the study established that focus strategy (β=.243, P<0.05) has positive and significant effect on growth of SMEs in Yagshid district Somalia. Thus, based on the beta coefficients, focus strategy exerted the greatest effect on growth of the SMEs in Yagshid district Somalia. It can also be summed up that growth of the firm require adoption of focus strategy. This assertion is supported by Garkaz et al. (2016) who observed that in order to survive, enhance the market share and generate more profits, firms need to embrace strategies including the focus strategy. Kavulya, Muturi, Rotich and Ogollah (2018) identified that customer focus strategy & performance are directly and importantly related with each other. Akintokunbo (2018) empirically determined the link between market focus and organizational performance is direct and significant.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Focus strategy had been adopted as one of the generic strategies among the SMEs in Yagshid district Somalia. This allowed the SMEs to serve its products to focus market segments while providing products to special geographical locations and consumer trends. Focus strategy has significant effect on growth of the SMEs in Yagshid district Somalia.

Recommendations for Practice

The managers of the SMEs operating in Yagshid district Somalia should consider the need to establish specific niches where they can target market segmentation based on customer patterns of consumptions social class and location.

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