

# Entrepreneurial Flexibility and Competitive Advantage of Microfinance Banks in Anambra State

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**Abstract** - The study explored the relationship between entrepreneurial flexibility and the competitive advantage of Microfinance Banks (MFBs) in Anambra State. The objectives of the study are to: determine the nature of the relationship that exists between service flexibility and customer responsiveness and examine the nature of the relationship that exists between service proactiveness and customer loyalty. A descriptive survey research design was employed, and Pearson product-moment correlation coefficient was used to test the formulated hypotheses at 5% (percent) level of significance. Findings revealed that there are statistically significant relationships existing between the variables. In addition, the four constructs are significant at 0.05 level (2-tailed). It is recommended that rapid and flexible product innovation is expedient for customers' responsiveness, and managers of MFBs should establish service capabilities to identify emerging opportunities and threats as they create a platform for organizational competitiveness. We, therefore, advocate for MFBs driving competitive advantage in the marketplace, managers developing competitive strategies that hinge on business flexibility capabilities.

**Keywords** - Entrepreneurial flexibility, Competitive advantage, Microfinance Banks, Anambra State

## I. INTRODUCTION

In today's fast-changing and increasingly global business environment, hardly any firm is safe from competition anymore (Moore, 2005). Organizations have started to acknowledge the importance of entrepreneurial flexibility as the key to achieving sustainable competitive advantage (Cavasgil, Calantone & Zharo, 2003; & Groote, 2011). Ganguly, Nichiani, and Farr (2009) suggest that an advanced competitive strategy that an organization should possess is its capability to sense any unanticipated change in the marketplace or customers' preferences and then readily respond to them. This capability is termed entrepreneurial flexibility, which is an important survival strategy for finance organizations in the current turbulent business environment.

Entrepreneurship begins with action, the creation of a new organization, including the antecedent to its creation, scanning the environment for the opportunity, the identification of the opportunity to be pursued, and the evaluation of the feasibility of the new venture (Kruger, 2004). Entrepreneurial flexibility enables proactive actions aimed at competitive leadership whose focus is on creating new bases for competitive advantage, disrupting rival's existing advantages, or transforming the competitive landscape through new models. Oftentimes, entrepreneurial flexibility enables competitive actions that are launched in response to sensed opportunities or threats in the business environment whose focus is on keeping pace with innovative industry practices. An entrepreneurial flexibility (EF) strategy is the ability to sense and respond to changes in an organization's internal and external environment by quickly assembling resources, relationships, and capabilities (Gallagher & Worrel, 2008) which indicated speed, flexibility, competence, proactiveness, and quick response as fundamental agile capabilities (i.e., moving quickly decisively and effectively anticipate, initiate and take advantage of change). Entrepreneurial flexibility is the ability to prosper in a continuously changing and unpredictable environment.

## II. STATEMENT OF THE PROBLEM

Microfinance Banks (MFBs) operate in an increasingly changing environment. MFBs are financial institutions that provide small-scale financial services to people who lack access to conventional banking services, which include giving small loans to low-income clients for self-employment, often with simultaneous collection of small amounts of savings (Karlan & Goldberg, 2007). The environmental dynamism has heightened the competitive pace of MFBs creating new environmental conditions such as work processes, work practices, and employee habits that have widespread changing effects on the way MFBs are managed and organized. The challenge is how MFBs can develop flexible capabilities that will enable them to operate proactively and respond to and thrive in an



environment of changing expectations. The scope of the challenges of MFBs include providing excellent services to customers who will not accept less than above average services; industry players are increasingly deploying technology (such as Automated teller machine networks, On-line Banking, software development, and call center operations) as means of generating insights into customers' behavioral patterns, preferences, and patronages. Regulators are also moving towards global best practices to which management must comply. In addition, the scope and dimension of financial services in the foreseeable future will be different from the present in terms of competitiveness, customers expectations, the degree of internationalization, adjustment to technology trends and innovations, hence the business environment of the MFBs in Anambra State is expected to remain very turbulent.

Consequently, entrepreneurial flexibility has become imperative with the aim of identifying less agile function areas that need improvement and accordingly equip the organization with the necessary capabilities to achieve competitive advantage (Nasr, Osman & Soha, 2011). In order to operationalize the variables, however, the study is based on two major constructs, namely: Entrepreneurial flexibility and competitive advantage climate. This implies that the competitive advantage climate is a function of entrepreneurial flexibility activities. Thus entrepreneurial flexibility is measured by indicators proxied by agile capabilities factors such as Proactiveness, responsiveness, competence flexibility, and speed. Further, competitive advantage activities can be operationalized into indicators and variables such as operating efficiency, quality, customer responsiveness, customer patronage, new ideas, and first movers advantage.

### III. OBJECTIVES OF THE STUDY

The overall aim of the study is to explore the relationship that exists between entrepreneurial flexibility and competitive advantage. The specific objectives are to:

- i. Determine the nature of the relationship that exists between service flexibility and customers' responsiveness.
- ii. Examine the nature of the relationship that exists between service pro-activeness and customer loyalty.

### IV. HYPOTHESES OF THE STUDY

H<sub>A1</sub>: There is a significant relationship existing between the service flexibility of MFBs and customers' responsiveness.

H<sub>A2</sub>: There is a significant relationship existing between the service pro-activeness of MFBs and customers' loyalty.

## V. CONCEPTUAL AND THEORETICAL ISSUES

### A. *Entrepreneurial Flexibility*

Flexibility is the reflexive ability to spot and seize (new) opportunities presented in the marketplace by change. This ensures that the offering of a business is in continuous synchronization with customer needs and expectations and/or uses current trends to anticipate and prepare to seize future opportunities. Business, more than any other occupation, is a continual calculation, an instinctive exercise in foresight (Stutely, 2002). Therefore, entrepreneurial flexibility is an individual/group's ability to sense opportunities, threats, and changes embedded in the business and provide rapid response to them by reconfiguring its strategies and resources (Tseng & Lin, 2011).

### B. *Competitive Advantage*

Competitive advantage refers to something an entrepreneur /organization does extremely well, a core competence that clearly sets it apart from competitors and gives it an advantage over them in the market (Schermerhorn 2010). Competitiveness means involvement in business rivalry.

Microfinance bank's level of competitiveness which is the concern of this study can be defined as the ability of the banks to design, produce, and/or market products superior to those offered by competitors, considering the price and non-price qualities (Ambastha & Monaya, 2011). Sources of competitiveness are those assets, processes, and performance within an organization that provides a competitive advantage. Key constructs of competitiveness are value creation, new ideas, new product development, quality, flexibility and adaptability, creativity, variety, profitability, and relationship management (Ambastha & Monaya, 2011). Competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower processes or by providing additional benefits and services that justify similar or possibly higher prices. A competitive advantage is meaningful if it is related to attributes valued by the market (Thatte, 2007).

### C. *Service Flexibility*

A service is an act or series of activities of more or less intangible in nature that normally but necessarily take place in interactions between customers and service employees and/or systems of the service provider, which are provided as solutions to customers' problems (Gronroos, 1993). Service flexibility is the degree to which a firm is able to adapt and adjust the components of the organization (process, staff, and technology) to achieve different goals with the same resources. Flexibility is the ability to process different products and achieve

different goals with the same products and achieve different goals with the same facilities (Shahei & Rajabzadeh, 2005). Service flexibility is a set of specialized organizational capabilities for improving value to customers in the form of service (Kandampully, 2011).

#### **D. Service Proactiveness**

Service Proactiveness focuses on a firm's ability to anticipate or detect opportunities and threats in the business environment. The detection of opportunities or threats can either occur through a process of probing the environment or through a process of anticipating future trends. Service proactiveness is an overall management perspective that gives high priority to the external efficiency of the firm, how customers perceive the quality of the core products, and the total performance of a firm, instead of overemphasizing internal efficiency, economies of scale, and cost reduction. External effectiveness is a firm's measure of business performance reflecting the client's judgment of satisfaction, service quality, future purchase intentions, and willingness to recommend the service firm to others (Paulin, Fegurson & Salazor, 1999). Service proactiveness not only indicates the ability of an organization to detect current changes but also to develop market foresight to anticipate changes in the future (Overby, Haradwaj & Sambammurthy, 2006).

#### **E. Customers Responsiveness**

Customers' responsiveness can be defined as providing customers with their rightful needs at the right time (Hill & Jones, 2011). In order to achieve superior customer responsiveness, a firm/individual must have the ability to do a superior job over its rivals in identifying the right needs of its customers and fulfilling their satisfaction. Customers responsiveness is the speed of reaction to customer-related change, which involves giving customers what they contract to receive (Homburg, Grozdanovic & Klarmann, 2010, Lori, 2000). Further, Homburg et al. (2011) opine that customers responsiveness can be improved upon through (i) giving customers self-service options; (ii) keeping customers data secure yet accessible; (iii) helping customers find their business; (iv) helping customers contact the right person and (v) measuring customer loyalty efforts.

#### **F. Customers Loyalty**

Loyalty refers to the attitude of the customers in terms of maintaining a relationship with their service provider. Customers' loyalty is a strongly held commitment to a product or brand in a manner that the customer desires to patronize and buy the product consistently in the future without resort to switching factors and marketing appeals (Oliver, 1999). Customers' loyalty has financial benefits since the cost of attracting a new customer is significantly higher than retaining an existing one (Blodgett, Hill

& Tax, 1997). When a firm develops a good system of resolving customer complaints, it leads to greater customer loyalty. Thus, customers loyalty relates to a long-term attitude towards a firm that provides benefits beyond the value of a single transaction.

#### **G. Microfinance Banks (MFBs)**

Microfinance Banks are financial institutions that offer not only small loans to microenterprises, SMEs, groups, and individuals but also provide other financial services like savings, insurance, and investment advice, including training programs to their clients (Addae-Korankye, 2014). MFBs enable low-income people to access financial services that are packaged in a manner that enables those who are unable to access formal financial services to access comparatively small loans, saving schemes, and other services for working capital and income generation. Microfinance banks are, therefore, seen as innovative financial institutions with financial arrangements designed to attract the poor as either borrowers or savers, indicating that the poor can be bankable (authors' conceptualization, 2018).

### **VI. EMPIRICAL REVIEW**

A number of studies have been explored by scholars on the subject matter.

Gathungu and Mwangi (2012) examined dynamic capabilities, talent development, and firm performance. Structural equation modeling was used to explore the relationships among variables. The findings from the study showed that dynamic capabilities have a positive impact on firms' performance in both high and low levels of environmental dynamism.

Arungai (2014) studied the influence of service process innovation on competitive advantage in the banking sector in Kenya. The study undertook a triangulation design involving a cross-sectional approach. Its findings revealed that service process innovations are very important in achieving competitive advantages in the banking sector.

In a related development, Fatash and Davoudi (2012) studied the important role of strategic agility in firms' capability and performance, exploring elements of strategic agility on different levels of environmental change. The findings indicated that willingness to change, internal readiness to adopt changes, and the ability to sense changes in the marketplace are the most effective ways to strategic agility.

### **VII. THEORETICAL FRAMEWORK**

The study is anchored on Dynamic Capabilities Theory (DCT) developed by Teece, Pisano, and Shuen (1997), which explains how firms can achieve and sustain competitive advantage in an ever-

changing environment by appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources and functional competences towards perceived changing environment. DCT indicates how entrepreneurial flexibility establishes competitive advantage through sensing capability (i.e., organizational ability to quickly detect, interpret and capture organizational opportunities) and responding capability (i.e., organizational ability to quickly mobilize and transform resources to react to the opportunity, the organization senses). Dynamic capabilities theory also lends support to the prediction that a positive organization's ability to maintain and gain market share in its industry is the key to keeping up with the turbulent business environment for competitive success.

### VIII. METHOD

#### A. Research Design

Description survey research design was employed in this study so as to obtain information and data from selected respondents.

#### B. Area of Study

The area of study is Anambra State which was created on 27<sup>th</sup> August 1991 from the old Anambra State. It derives its name from the Anambra River, which is a Tributary of the River Niger. Anambra State is located in South-East Nigeria, on the eastern plains of River Niger. Its boundaries are formed by Delta State on the West, Imo State on the South, Enugu State to the East, and Kogi State to the North.

The state capital is Awka, while the industrial center is at Nnewi, and the commercial center is at Onitsha. The town Onitsha has the largest market in the West African sub-region. The River Niger, with its famous Niger Bridge, links the commercial town of Onitsha with the ports of Port Harcourt in River State and Burutu and Warri in Delta State. The state has 177 communities in 21 Local Government Areas. The state is classified as one of the educationally advantaged states in Nigeria, blessed with an abundance of trained and skilled manpower in every field of endeavor, and reputed to have produced some of the most educated and accomplished Nigerians in virtually every profession.

Anambra people are known to be very resourceful and enterprising, especially in the area of commerce. As a result of their resourcefulness and commercial activities, they are found in all states of Nigeria and in the Diaspora. Anambra State has vibrant entrepreneurial activities in commerce and industries, with about eighty microfinance Banks scattered in the area.

#### C. Population of the Study

The population of the study consisted of all the employees of microfinance banks in Anambra

State, numbering eighty (80) with an estimated staff strength of about 1040 (CBN, 2018).

#### D. Sample Size Determination and Sampling Techniques

Multistage and systematic sampling techniques were used. In the first stage, the MFBs were selected based on three commercial towns from each of the three senatorial zones in Anambra State, i.e. (Onitsha, Nnewi & Awka). Thereafter, a systematic sampling technique was applied in the second stage to select the MFBs. Systematic sampling is a modification of the simple random sampling by introducing some elements of sequence and style (Onodugo, Ugwuonah & Ebinne, 2010)

Consequently, the study respondents were sampled as follows:

Table 1. Categories of Respondents Sampled

S/No	Names of Selected Microfinance Banks	Location	Number of sampled Respondents
1	Ogbofere MFB Ltd	Onitsha	13
2	Topclass MFB Ltd	Onitsha	13
3	Ugbormili MFB Ltd	Onitsha	13
4	Akuchukwu MFB Ltd	Onitsha	13
5	Everest MFB Ltd	Nnewi	13
6	Hallowed MFB Ltd	Nnewi	13
7	Ibeto MFB Ltd	Nnewi	13
8	Model MFB Ltd	Nnewi	13
9	Awka MFB Ltd	Awka	13
10	Ndiolu MFB Ltd	Awka	13
11	LAPO MFB Ltd	Awka	20
12	Uzondu MFB Ltd	Awka	13
	Total		<b>158</b>

Source: Field Survey, November 2018

#### E. Source of Data

The primary source of data was through the questionnaire, which was employed for purposes of obtaining facts about present conditions and practices of MFBs. The sampled respondents were distributed with 158 copies of the questionnaire, wherein 130copies (82 percent) were returned while 28copies of the questionnaire (18percent) were not received.

#### F. Validity of Research Instrument

Content validity was utilized, invalidating the structured questionnaire by administering 30percent of the copies to the respondents.

**G. Reliability of Research Instrument**

Cronbach Alpha was used to test the reliability of the instrument, and the result generated was 0.973. This shows that the questionnaire items were reliable. Thus data generated were used for hypothesis testing.

**IX. TESTING**

H<sub>i</sub>: There is a significant relationship existing between the service flexibility of MFBs and customers' responsiveness.

**Table 2. Correlation output for Service flexibility and customers' Responsiveness.**

	<b>Service flexibility</b>	<b>Customers' Responsiveness</b>
Pears correlation	1	.922**
SEXFLEX sig. (2-tailed)		.000
N	130	130
Pearson Correlation	.922**	1
CUSRESP sig. (2-tailed)	.000	
N	130	13

\*\*Correlation is significant at the 0.01 level (2-tailed)  
Source: Computed from field survey data, 2018

Table 2 shows the result of the correlation analysis on service flexibility and customers' responsiveness. The result reveals that there is a statistically significant relationship existing between the variables. This is because the correlation coefficient obtained was .922 while the p-value was .000 (p.value <0.05)

H<sub>A2</sub>: There is a significant relationship existing between service pro-activeness and customer loyalty.

**Table 3. Correlation Output for service pro-activeness and customer loyalty**

	<b>Service flexibility</b>	<b>Customers Responsiveness</b>
Pears correlation	1	.980
SERPROA Sig. (2-tailed)		.000
N	130	130
Pearson Correlation	.980 <sup>xx</sup>	1
CUSTLOY sig. (2-tailed)	.000	
N	130	13

\*\* Correlation is significant at 0.01 level (2-tailed)  
Source: Computed from field survey data, 2018.

Table 3 indicates the result of the correlation analysis on service pro-activeness and customer loyalty. The result shows that there is a statistically significant relationship existing between the variables studied. This is due to the fact that the coefficient obtained was .980 while the p-value was .000, which was less

than the level of significance, i.e. (0.05) used (p.value < 0.054)

**X. DISCUSSION OF RESULT AND IMPLICATION**

The findings revealed that there are statistically significant positive relationships existing between service flexibility and customers responsiveness, service pro-activeness, and customers' loyalty to the MFB. The implication is that as the service flexibility of the MFB increases, customer responsiveness also increases. Similarly, as the service pro-activeness of MFBs increases, customer loyalty increases.

**XI. CONCLUSION**

It is evident from the hypotheses testing that there are statistically significant positive relationships existing between service flexibility and customers' responsiveness, service pro-activeness, and customers' loyalty of the MFBs in Anambra State. Thus any firm that fails to embrace flexibility and pro-activeness in services may not survive the competition. We, therefore, conclude that unique business flexibility assures competitive advantages.

**XII. RECOMMENDATIONS**

Emanating from the conclusion, we recommend the following:

- The strategic managers of MFBs in Anambra State need to develop competitive strategies that are based on agile business capabilities such as shared responsibility, quick action, and quality product development.
- Managers of MFBs need to demonstrate timely responsiveness with needed products and services in order to exploit opportunities and manage threats in the environment.
- Managers must recognize the basic need for flexibility and pro-activeness in services so as to obtain and sustain competitive advantage directed towards new products and service development that are able to compete in a dynamic business environment.
- Managers of MFBs need to improve upon the organization's sensing and response capabilities so as to swiftly uncover new market opportunities and quickly respond to the gains for improved customers' loyalty.

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