



# Strategic Choices and Performance of SMEs in Congo (DRC)

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## Abstract

The Congolese economy is characterized largely by the dominance of small and medium-sized enterprises. These form the backbone of the economy in most countries. However, they face several challenges, including the globalization of markets and the evolution of technology. These challenges impose strategic choices on these companies capable of keeping them on the market and increasing their performance. With this in mind, the purpose of this study is to describe the strategic choices made by SMEs and to assess the effect of these choices on their performance. The construction of this research is guided by the following main question: What is the effect of strategic choices on the performance of SMEs in Congo? To answer this question, we opted for an exploratory qualitative approach on a sample of 15 business cases. The results of this research highlight two key results: the diversification of the strategic choices of SMEs in Congo, on the one hand, and the mixed impact of these choices on their performance indicators, on the other hand.

## Subject Areas

Business Management

## Keywords

Strategic Choices, Performance, SMEs

## 1. Introduction

In an era where competition is exercised on several factors, where the risks of business disappearances are increasing, the success of the company is reflected on the basis of the strategies applied (Hélène, 2011) [1]. Owner-managers of SMEs must define the tools necessary to ensure profitability and maintain confidence in the market. Since the peak in bankruptcies that hit all OECD countries

in 2012 [2], the number of companies that disappear each year has remained at a high level. Due to their small size, SMEs seem to be the most affected. There are therefore several thousand SMEs with them, tens of thousands of jobs that are disappearing (Bredart *et al.* 2018) [3].

Despite certain slowdowns in their creation, SMEs still continue to be the first generators of jobs in industrialized or developing countries. Not all SMEs, once created, generate many jobs or revitalize regions. About half of new businesses do not exceed five years after their creation Lauzel and Teller (2004) cited by Ndalo (2010) [4]. They are absorbed by others or go bankrupt. Of those that remain, most remain relatively small or reduce their numbers of employees depending on the type of activity (Chicha, 2005) [5]. These disappearances of companies have experienced a remarkable increase over the last decade in Africa in general and in the DRC in particular. This is the subject of a major questioning about their sustainability.

Faced with fierce global competition and the need for rapid decision-making in an uncertain environment, SMEs need to increase and maintain their competitiveness by monitoring the factors that determine their long-term and medium-term performance. These companies must act on these indicators as soon as possible.

In Congo, SMEs operate in an environmental turbulence. They present critical performances and see themselves in a constraining situation after a few years on the market. The agility of these in Congo in the face of world markets leads to a shortfall. This is how they must deploy essential strategic mechanisms to ensure their competitiveness. To counter the challenges, they must opt for strategic choices that are in perfect harmony with their sector of activity.

The most recent World Bank statistics show that 70% - 80% of businesses across the African continent are SMEs. These SMEs create nearly<sup>1</sup> 50% of jobs and contribute more than 20% to GDP (according to the OECD review, 2014) [6]. Following the rapid proliferation of technologies, SMEs evolve in a complex environment characterized by the globalization of markets. In the DRC, SMEs have continued to metamorphose in a breathtaking way. Their lifespan is threatened because they have difficulty maintaining activity and developing effective performance.

Faced with the ever greater demands of competitiveness brought about by the globalization phenomenon, most of them are disappearing (Dorantes, 2010). Ndiwulu (2008) cited by Kaghoma (2014) demonstrates that on average the lifespan of an SME in the province of Bas-Congo precisely is 3 years. These SMEs find it difficult to expand their activities and as a result, they fall into disuse. Lauzel and Teller (2004) quoted by Ndalo (2010) [4] affirm that in Congo the population of SMEs experiences a mortality rate much higher than that of large companies. 80% of newly created SMEs die within 5 years. 90% of these failures are explained by management errors and the lack of effective strategies to deal

<sup>1</sup>OECD Review (Organisation for Economic Co-operation and Development), 2014 available at <https://www.oecd.org/>.

with environmental devices. An SME that does not clearly define its strategy and its proper implementation is downright doomed to extinction.

More recent data collected by the FEC (2019)<sup>2</sup> [7] shows that SMEs seem to be the most affected by the disappearance due to which out of 100% of companies, only 12% of companies achieved an increase in turnover in 2017. 30% have at least one employee and plan to reduce their workforce in the next 6 months. 22% plan to reduce the number of employees in the next 6 months.

Faced with the new economic situation, SMEs, although constrained by a lack of human, financial and technological resources, feel the need to transform and adapt by focusing on strategic assets (Chicha, 2005) [5]. This is, for us, the back-drop that characterizes the SME in Congo. In such a context, companies that live beyond three years, ten years or even more, constitute an exception which encourages us to better understand their specificities and try to understand how they can succeed in living longer. The aim is to identify the strategic factors that explain the performance of certain SMEs.

This study therefore revolves around the following question: What is the effect of strategic choices on the performance of SMEs in Congo?

This question is divided into two sub-questions:

Question 1: What are the strategic choices made by SMEs in Congo?

Question 2: Do these strategic choices have the same effects on their performance?

## 2. Literature Review

The survival and prosperity of SMEs depend in part twice on what the company implements to make it a flawless sheep in the continuity of its daily activities. The development of strategic choice theory can be broadly divided into two periods (Sanchez *et al.* 2010) [8]. The late 1970s and 1980s, when strategic choice theories were dominated by the structure-based perspective of industry borrowed from industrial economics and promoted primarily by Porter (1985). The 1990s during which strategic choice theory was mainly influenced by the perspective based on the resources of the firm resulting from the work of Penrose (1959) and Wernerfelt (1984) and put forward by Barney (1986, 1991).

These two powerful theories aim to explain the results of competitive interactions between firms in all contexts. We illustrate in this section these theories as well as the theories of strategic alliances.

### 2.1. Current Theory of Industrial Organization

The industry structure approach to developing theory in strategy essentially aims to explain and predict success in competitive interactions depending on the position occupied by the company (Sanchez *et al.* 2010) [8].

An industry structure is primarily defined by the concentration of market

<sup>2</sup>Economic activity experienced by the Congolese SME Results of the Qualitative Survey carried out in 2018, an economic study/02/DEP.ETUDES &DOC./FEC/2019 of February 2019 available on <https://www.fec-rdc.com> consulted on 27/9/2021.

share among competitors in an industry. It can range from monopolistic to oligopolistic, *i.e.* dominated by a single or a small number of players. This is how industrial analysis of the strategy indicates that the strategic choices are data of the forces of the market or the industry. The company must adapt to it, according to the structures of the market which determine the type of competition (Marchesnay, 1997) cited by (Sanchez *et al.* 2010) [8] because the position of a firm in the structure of an industry is defined by its relative market share in comparison with other players.

## 2.2. The Resource-Based-View Theory

Resource theory is considered an alternative approach to understanding organizations and their competitive strategies. According to this approach, a firm is equivalent to a wide range of resources it owns (Das and Teng, 2000) Cited par Kwane (2017) [9]. It is precisely around the article by Wernerfelt (1984) that the “Resource Based View” was formed. According to the Resource-Based-View approach, the differences in performance between companies come exclusively from the difference in competitive positioning. This is explained by different resources between competitors.

## 2.3. Theory of Resources and Skills

Since the work of Penrose (1959), considered the “founding father” of the resource and skills approach, this theoretical approach has aroused growing interest among researchers, consultants and practitioners alike. Resources can be defined as tangible or intangible assets attached to the business. The success of a company lies in the resources it has at its disposal or that it knows how to mobilize to satisfy its customers.

In this sense, the resource approach is considered an option to Porter’s discourse (1980), which highlights the positioning of the company in the face of competition. Thus, the resource approach considers the company as a set of elementary resources or assets, some of which are of particular importance, such as the firm’s know-how (Boubakary, 2017) [10]. This know-how refers both to central skills and to the organizational capacities that allow them to be implemented.

## 2.4. Theory of Strategic Alliances

The theory of strategic alliances relies on cooperation between two firms in order to extract a significant rent between two companies in possession of different technology. Collaboration being the best known form of strategic alliances leads companies to operate in a network (Mucchielli, 1997) cited by Capiez (2007) [11].

Bouguelmouna (2019) [12] in his thesis on the impact of strategic management on the performance of Algerian SMEs based on an analysis of a sample of 50 Algerian companies noted that 24 firms are considered to be efficient, against

26 non-performing. Through an empirical test of the 'PLS Regression' using the XLSTAT 2014 software, which results showed that the strategy of cost leadership measured by breadth of product line, efficiency of operations, price competitiveness, and control of overhead, and that of differentiation assessed in terms of continuous improvement of products/services, customer service, and marketing innovation, proved to be directly positively linked to the performance of Algerian SME firms. This comes at the right time to show the influence of strategy on the performance of the company.

According to a study conducted by Gabriel *et al.* (2017) [13] on the analysis of the strategic behavior of SMEs in the State of Hidalgo (Mexico), during a survey applied directly to owner-managers on a sample of 373 companies in Spain shows that SMEs which adopted a strategy of innovation and those who adopted a strategy of differentiation based on the quality of the Products were successful. Logically, we want innovation to condition good performance. It is a consequence of differentiation within companies.

During a study of the strategic behavior of IT SMEs and their performance in an uncertain environment carried out by Kwane (2017) [9] in his thesis with 19 SMEs interviewed and a questionnaire survey in the four major regions of Cameroon (Douala, Yaoundé, Bafoussam and Garoua), of which 202 responded to the survey, 101 well-informed questionnaires, in the Hauts de France and Parisian regions in France, for which the results of the statistical analysis showed that there was indeed a significant relationship between the strategic behaviors of IT SMEs and their performance.

During a survey carried out by Bamberger (1988), in eight European countries, among 1135 SMEs, from three branches (clothing, agro-food industry and electronics), the results revealed that SMEs in the electronics industry founded competitive advantages, significantly, more on technological competence and service (differentiation) from other sectors. However, there was a negative correlation between the cost leadership strategy and the performance of SMEs in the electronics industry sector.

Edzoualiko (2011) [14] through his analysis of the diversification strategy employed by the ITOYA company: problems and prospects, which in several strategic activities: carpentry, agri-food activity (bakery), public transport, agropastoral activity, and construction shows that according to certain studies Martinet (1983) cited by Edzoualiko (2011) [14], about 35% of diversifications have failed. Regarding the ITOYA company, the risks of failure are not excluded. ITOYA's diversification strategy could not prove its significance on the performance of companies, because we note the absence of feasibility studies before the launch of each activity.

Julian *et al.* (2003) quoted by (Josée St-Pierre *et al.* 2007) [15] during a study on the identification of the key factors of the success of industrial service SMEs shows that in a hostile context where the computer and technological era take their anchoring, we switch from the "castle" company to the "network" compa-

ny. The metaphor of the castle presents the company as an organization closed in on itself, which works in autarky and does things in its own way. In contrast to the chateau company, we find the network company which is open both internally (collaboration between departments, participatory management, etc.) and externally (collaboration with other organizations, etc.) and adopts a strategy where the customer is valued and loyal.

A study conducted by Habhab (2009) [16] on network strategy and competitiveness: the case of Tunisian SMEs/VSEs following a qualitative exploratory study on two clothing, textile, shoe and leather companies) led to the understanding that the implementation networking of SMEs and VSEs is an essential strategy for the competitiveness, growth and profitability of companies.

### 3. Methodology

To transform a research problem into an object that instructs knowledge, research necessarily involves an epistemological anchoring and a methodological approach. Our present research aims to examine the effect of strategic choices on the performance of SMEs in Congo. To do this, we have subscribed to a causal qualitative approach. This choice is justified by the complexity of not disclosing with difficulty the strategies that SMEs opt for by their SME owners. They therefore constitute a gold mine on which their activities. We believe that reality is a construct of the human mind and that man through his intuition and cognitive abilities may be able to construct a reality. Reality is a construct of the human mind, so it can provide a solution to the phenomena that invade a country. However, this purely qualitative research sheds light on the relationship between strategic choices and the performance of SMEs. This approach will make it possible to build presumptions and discuss their effects on the phenomenon under study as well as their implications. To identify the relationships between strategic choices and performance in SMEs, this study uses an exploratory approach. It is therefore a question of setting up new theoretical articulations between the concept and allowing the integration of new concepts in a given field. It therefore makes it possible to use qualitative investigation methods to interpret field observations through requests manipulated by the NVIVO software thanks to content analysis. The mode of data collection for this study is based on the semi-directive interview (Table 1) with the aim of collecting discursive data reflecting the perceptions of the owners and managers of the SMEs interviewed regarding the strategies and performance of their companies. To do this, it is essential to ask the questions several times in order to grasp and identify all the dimensions of the themes studied for an easy understanding on the part of the interviewee. On the other hand, semi-structured structured interviews offer greater reliability. The preliminary formulation of the questions is not definitive, which increases the freedom of the interviewer, if he wishes to deepen or develop certain points. This allowed us to surface our theme and build a voice to flesh out this present research.

**Table 1.** Semi-directive interview.

Theme	Questions
<b>Theme 1: strategic choices of SMEs.</b>	<p>What is the range of products that you currently market on the market?</p> <p>How do you set the price of the product on the market?</p> <p>When do you think it is necessary to opt for a strategy to deal with the vagaries of the market?</p> <p>How would you describe the strategy used by your company?</p> <p>Do you integrate competitive strategies? If yes, what comment can you make? If not why?</p> <p>Now that you integrate these strategies, can you appreciate the effect of an increase or decrease in your selling prices on the sales volume (S.A.)?</p> <p>Now that you incorporate these strategies, can you appreciate the effect of product differentiation on your company's sales volume (S.T.)?</p> <p>Now that you incorporate these strategies, can you appreciate the effect of product diversification on your market share growth?</p> <p>Now that you integrate these strategies, can you appreciate the effect of product specialization on the sales volume (S.A.) of your company?</p> <p>For what level of success does the adopted strategy influence the performance of your company? if no What level of failure?</p> <p>Have you launched any new products on the market in recent years? If so, do you apply the same strategies to all the products offered on the market? If so which ones, if not why?</p> <p>For what level of success the strategies used on each product influence the performance of your company? If not, what level of failure?</p> <p>How important is the strategy measurement tool you adopt and its impact in decision-making within your company? Which one(s)?</p> <p>Do you incorporate continuous improvement of existing products and/or services? if yes why, if not why?</p>
<b>Theme 2: Performance of SMEs.</b>	<p>In recent years, have you increased the number of customers?</p> <p>In recent years have you increased your turnover? What comparisons do you make in relation to past years and in relation to turnover?</p> <p>Do you think your average revenue from a customer has increased in your production process?</p> <p>Do you think that the balance of income and expenditure has been positive in recent years and is growing?</p> <p>What do you have left after paying the tax? a negative result or a positive result?</p> <p>Are you able to pay your debts to your suppliers or creditors in due time?</p> <p>Can you measure the satisfaction rate of your employees with the salary package?</p>

## 4. Results

This research is based on a qualitative approach and is rooted in an exploratory research perspective. We seek to understand the effect of strategic choices on the performance of SMEs in Congo. Identify the strategic choices made by SMEs. The objective is to determine the strategies employed by SMEs in GOMA (DRC). Thus, as part of our dissertation, we conducted semi-structured interviews aimed at referencing the main themes to be addressed and the questions to be asked of the owner-managers of SMEs. Thus the construction of this instrument went through the definition of the themes. These are based on the various questions of the study context such as strategic choices and performance.

We chose good to interview the owner-managers because they are the ones who define the strategies within the companies and whose daily management is



within their reach. We conducted a total of fifteen interviews, including 11 in the service sector and 4 in the industry sector in GOMA, DRC. The choice of the sample was oriented towards service and industrial companies. The service sector represents 35.7% of GDP and employs 25.8% of the active population, the industry sector contributes 41.2% of GDP and employs 9.8% of the active population in the DRC (Bank World, 2022). On this, the relatively low level of study for some, led us to redefine the concepts, or even change the language of the interview in order to facilitate their understanding and to obtain precise answers. Data collection reached its peak after semantic saturation, that is to say after seeing that the answers proposed by our interviewees experienced a redundancy of words, the interview was concluded. We felt embarrassment from several respondents who may not be used to such an exercise. The level of language of some made them uncomfortable and they kept asking us if it's not over yet.

This conditioned an active interaction between the researcher and the actor by phone call or either face-to-face depending on the availability of the owner-managers. To achieve the results, we used NVIVO as a tool for processing qualitative data through content analysis following two approaches, lexical analysis which tackles the emerging themes of research by performing frequency calculation, which allowed us to identify the importance of the coded themes and the semantic analysis which allowed us to make a comparison through the matrix to be condensed.

#### 4.1. Differentiation as a Dominant Strategic Choice in SMEs in Congo

The strategies are ranked in order of importance. The themes are presented according to the number of statements and the percentages in which they are addressed. Indeed, after having identified the strategic practices employed within SMEs, a frequency calculation was carried out to get an idea of their importance in the eyes of the interviewees.

Thus the appearance of a category in several interviews with a high frequency implies that it is important. This content analysis approach anchored on lexical analysis made it possible to classify the different strategies according to their order of strategic importance based on frequency statistics. A total of 9 strategies have been identified (**Table 2**), including the strategy of differentiation (52%), diversification (44%), collaboration (32%), loyalty (32%), continuous product improvement (32%), cost leadership (24%), market conquest or offensive strategy (16%), specialization (12%) and innovation (8%).

We see through this cloud of words that the strategies are numerous (**Figure 1**). SMEs use it to carry out their activities with the aim of conquering the market.

Companies in Congo adopt a diversity of strategic choices (**Table 3**). These choices have an effect on their performance. Depending on the case, we have presented the influence of these strategies on the performance of SMEs in Congo.





#### 4.1.1. Differentiation Strategy

The importance given to the 52% differentiation is strongly justified by the new concerns of SMEs in GOMA to be part of a policy of beating the competition by certifying the quality of products. They seek to be competitive in the market. This strategy is based on a good knowledge of the criteria of purchase, use and image as well as a good adaptation to a particular market of the clientele.

For example case 10 states “Our differentiation strategy is defined by the presentation of the products”. 60% of customers like it. This conditions an increase in our turnover. To the response of the existence of differentiation strategies in SMEs, case 11 says “The differentiation strategy influences 60% of the increase in my turnover”. Differentiation allows us to be unique and to have our own notoriety.

Case 12 actually shows us that differentiating the product attracts customers. It represents an opportunity to increase and boost our value margin to 30%. For case 14 “quality determines the market”. Last year I had trouble selling my products easily because my way of presenting them did not meet customer expectations. Make profit with this strategy. It has a positive effect on my turnover. Thus case 2 shows that “When it is rare and different, customers come back”. And this has a positive effect on our sales volume. This strategy is one of our flagship strategies that we adopt. Case 13 tells us “I win the market thanks to product differentiation”. It has a positive effect on my turnover at a height of 80%. Case 9 says, we increased the number of customers by 4%. In recent years, our result was nil, not really significant. We have increased our turnover but compared to the forecast the difference has been considerable.

#### 4.1.2. Diversification Strategy

The diversification strategy comes second in terms of frequency ranking (44%). This strategy rhymes with the needs that recent SMEs have to diversify their products or services.

For Penrose (1963) cited by Capiez (2007) [11], a company diversifies its activities in order to achieve significant differences in production or distribution programs. According to case 1, the oriented diversification in the SME makes it possible to have several entries. For case 7 “diversification is really necessary and has a positive effect on our turnover. In terms of means, we are limited to diversify further hence the performance is not so good”. Case 6 “we diversify our products taking into account the clientele”.

Case 2 testifies “Our diversified accounts”. But for the moment we do not diversify correctly for lack of means. Case 3 says “diversification has a considerable effect on my turnover to a height of 20% compared to the years moreover it happens that SMEs opt for this strategy to fill the market and meet the needs arising in their fields of activity, this is the case 15 business”. We want to offer customers everything they may need in our sector. We adopt this strategy. But its impact is not appreciated too much because the means are limited.

### 4.1.3. Collaborative Strategy

The collaboration strategy comes next with a sub-category frequency of 32%. The collaboration strategy which in turn is part of the concern shares knowledge and develops a social climate. SMEs make agreements between two or more independent companies with the aim of increasing and maintaining their competitive advantage over a specific period. Today and more than ever, the practice of strategic collaborations remains justified.

In order not to lose the market, case 11 tells us that the strategy of collaboration between different partners in the sector is very crucial. This makes it possible to perfect the market and thus achieve a significant turnover that covers all operating expenses and operations. It promotes a performance of 70% in the SME. In case 3, the company works together to cover a whole demand that arises. Thus “we cannot suddenly show a clear performance, but I think that the level of success of my strategy is 20% higher than the performance of my company since we discharge our debts easily and not payment of our employees”.

In case 8, the collaboration has advantages although the consequences cannot miss but it works in our favor. In doing so, Case 8 advocates and says that he is working in conjunction with a foreign organization that provides them with raw materials. If we are performing today, it is thanks to the strategies deployed. Collaboration has advantages although the consequences cannot be an exception but it works in our favor. Our strategy allows us to respect the tag in terms of the volume of turnover. Case 5 states that collaboration with partners to carry out certain activities relating to the level of profitability of the SME is so essential. We apply it. There are other factors that would cause the performance of my business but the strategy adopted influences 70% of the performance of my business.

Case 2 shows that it works in collaboration with other structures to try to compensate for its shortcomings and generate a profit with the aim of building a performance lever of a height of 70%.

### 4.1.4. Loyalty Strategy

Strategic loyalty practices tend to be formalized more and more in SMEs, which could explain the degree of importance of 32% given to the loyalty category, simply because in SMEs the prospect of a new customer is more expensive than keeping it.

Currently, the business world is invaded by multiple trends and by quite significant environmental changes; the globalization of markets, the rapid rise of e-business and information technologies, advertising and the personalization of products and services.

Case 1 confirms by saying that customer loyalty is important and conditions a 50% increase in turnover. In a company that advocates the elimination of competitors, we find case 14 which states that it also seeks to retain their customers by integrating competitive strategies to beat competitors by 30%.

We observe that loyalty is less expensive because it is more expensive to prospect for new ones than to maintain a customer. Maintaining a clientele saves you

money. It is in this context that we collect the statement of case 11 which says that a loyalty strategy is important. It allows me to reduce my expenses and see its operational expenses.

#### **4.1.5. Strategy for the Continuous Improvement of Products/Services**

The Alignment of Business Practices has led companies to turn to the continuous improvement of their products and services offered on the market. The justification of the frequency category of 32% granted to continuous improvement is devoted to new techniques of learning and acquisition of skills that SMEs adopt in production and in the service offer on the market.

To acquire or maintain a competitive advantage, SMEs must guarantee a high level of performance. The most often deployed by SMEs to survive affirms the words of case 1, “Yes, we seek to improve as we are on the market”. It is important for the performance of my company because we are not the leader. In case 11 and case 3, globalization is a driving force for having specific skills. In order to maintain and have an incredible competitive advantage, we must improve. “Every day the world is changing, so it is important to continuously improve our products”. “The technology is evolving, there are always new updates to circumvent the challenges of the market” With the technical situation in the DRC, we are struggling to do it well.

#### **4.1.6. Cost Leadership Strategy**

The organization will seek to produce at a lower cost. The cost of production must be competitive and therefore relatively low for the selling price to be as well.

The goal sought by the company is to increase its market share until it becomes a market leader and thus ensure a certain sustainability.

The frequency of the cost domination sub-category with a frequency of 24% is justified by the presence of these companies to beat the price by economies of scale. This strategy therefore consists of offering an offer whose perceived value is comparable to that of competitors’ offers, but at a lower price (Belgacem, 2016) [17].

Case 9 asserts that, the strategy of cost leadership is good and influences 60% of the increase in my turnover. Case 5 adds by demonstrating how they manage to make a profit. The cost leadership strategy is really effective for my business performance. I can say that lowering the price has a positive effect and only depends on the quality. Case 6 adds by showing that the strategy of cost domination has a positive effect on my turnover but the political and economic situation of the country does not allow us to move forward, which does not condition good performance. Corruption in the service of the State is a brake although I integrate these strategies and conditions an unfavorable position vis-à-vis competitors.

#### **4.1.7. Strategy for Market Conquest, Specialization and Innovation**

The low frequency of appearances of the sub-categories market conquest, special-

lization and innovation suggests that the interviewees give less importance to this type of practice (16%, 12%, 8%). However, these practices exist in the cases studied.

For example, case 8 informs that their SMEs “apply marketing strategies based on the payment of a commission bonus to whoever brings in a customer (market conquest). This greatly influences their performance levels.” Case 14 says that a market conquest strategy is effective and determines more than 50% of performance in its SME.

A study conducted by Valnis (2019) [18] on the advantages and limits of the specialization strategy in service SMEs: “Case of GPS Security in Congo Brazzaville presents the specialization strategy as one of the strategies adopted by SMEs in Congo. Case 2 shows the relevance of adopting this strategy and its necessity in the emergence of the company’s activities through the products, and affirms that they know who their products are intended for after they have produced”. This significantly affects their turnover.

Schumpeter (1935) quoted by Michel Ajzen *et al.*, (2016) defines innovation as the execution of new combinations of means of production and highlights the figure of the innovative entrepreneur. In addition, the capacity to innovate can be apprehended by the number of innovations that an organization is able to adopt or implement successfully.

The degree of frequency importance of 8% to the innovation strategy to the interviewees was justified by the desire of companies to meet contextual needs by innovating. In case 9, we integrate the improvement of products and services in a continuous way in the company so to survive we must innovate. In case 10, Innovation is at the center of our strategy. It influences 70% of my turnover. Technical issues also arise. Case 13 testifies and shows that in relation to the strategy “it is an innovation strategy that guides its strategic decisions and influences its performance to a height of 40%”. But we find adaptability problems because our targets are used to consuming imported products.

## 4.2. Ambiguous Effect of Strategic Choices on SME Performance

The objective of this work is to study the relationship between strategic choices and performance of SMEs in the Congolese context. The results to which the analyses led underline on the one hand the existence of the strategies having a positive effect on the performance and others a negative effect. Thus, this section focuses on the presentation of the strategies and their effect on the performance of SMEs as well as the discussion of the results.

We note that several of them have a negative effect on performance depending on the context of SMEs in Congo (Table 4).

### 4.2.1. Collaboration and Loyalty

The resource-based approach, initiated by Pfeffer and Salancik (1978) quoted by Capiez (2007) [11], apprehends the company as a portfolio of physical, human and organizational resources combined to create specific skills (Prahalad and Hamel, 1990).

**Table 4.** Effect of strategies on SME performance.

<b>Strategies</b>	<b>Effect</b>
Collaboration et Loyalty	<i>Positif</i>
Specialization	<i>Positif</i>
Market Conquest	<i>Positif</i>
Cost leadership	<i>Négatif</i>
Innovation et Differentiation	<i>Négatif</i>
Continous Product Improvement	<i>Négatif</i>
Diversification	<i>Négatif</i>

Source: Author from NVIVO.

If companies perform well in their sector of activity, it is thanks to their internal resources and the accumulation of their skills (Barney, 1991). Skills are acquired through collaboration. A routine is for the company in order to perfect the competition. To increase their competitive advantage, companies must obtain additional resources from outside (Grant, 1991) cited by Capiez (2007) [11].

By observing cases 3, 5, 8, 11, 15 interviewed, we find that the strategy of collaboration and loyalty has a positive effect on the performance of SMEs in Congo. This is justified by the comments of the owner-managers of the SMEs interviewed.

In case 3, the SME generates a certain performance and creates value while meeting market requirements. It has a head start that it has been able to put in place through good performance indicators to establish winning development strategies. We have increased the number of customers to a height of 20%. We manage to achieve a positive turnover despite the vagaries of the market which is positioned as much as possible in our context. Our employees are satisfied although it is apparent, at a height of 80%.

In case 5, the SME generates a cash surplus and therefore has the possibility of settling its debts, paying dividends or even investing money. We have increased sales when I started integrating the collaboration strategy.

Case 8, The SME performs well and is able to survive in the long term. The more the employees are motivated, the more the mobilizing piece of productivity is directed upwards. The company has no problems repaying its debts and can dispose of the reserves. We have increased our turnover by 60%. The number of customers has increased considerably compared to previous years. Up to 60% and I certify that our clientele has increased. We achieved a positive result. As we agreed to develop our business by resorting to borrowing, the pilot project was profitable.

Case 11 allows us to say that the strategy of collaboration and loyalty are effective strategies and allow the company to earn money and challenge its competitors. An efficient company evolves surely, constantly and sustainably. We have increased our turnover by 60% compared to last year and by 68% compared to

the forecast, although not achieved. Our result was positive and this is due to the strategies employed. We acquit ourselves favorably vis-à-vis our creditors although sometimes we may be late due to the entrepreneurial context of the DRC. Our cash flow was positive. We have a normal break-even point that allows us to cover our expenses.

Case 15, the SME performs well and can cope with the vagaries of the market to build a sustainable business through its strategies. Revenue has been significant as we conducted operations and acquired reserves. We have doubled our turnover thanks to the strategies adopted. We have changed significantly with our customers.

We have doubled our turnover thanks to the strategies adopted. We have changed significantly with our customers. We left 20% - 50% customer growth. We have made a profit and we have even started to have a reserve which allows us to define other avenues to see how to further diversify our services. To optimize employee satisfaction is not easy. But my employees are motivated and salaried. We have no full-time supplier debts.

As a result, to measure the effectiveness of their strategies, they rely much more on the level of penetration of the product or service on the market compared to the rate of market growth. A continuous evaluation of the turnover makes it possible to hold the market to face the environmental challenges.

A study conducted by Habhab (2009) [16] on network strategy and competitiveness: the case of Tunisian SMEs/VSEs following a qualitative exploratory study on two clothing, textile, shoe and leather companies) led to the understanding that the implementation networking of SMEs and VSEs is an essential strategy for the competitiveness, growth and profitability of companies. The network then appears as the most effective organizational form. Companies that want to perform must resort to collaboration while focusing on the loyalty of their customers. The collaboration is therefore rooted in a system of mutual aid that makes it possible to compensate for the weaknesses of one by the strengths of the other. The more loyal the customers are, the more they interest others and the company makes a bet to win. This allows us to formulate the following proposition:

**Proposition 2:** The simultaneity of the collaboration and loyalty strategy has a positive effect on the performance of SMEs in Congo.

#### 4.2.2. Specialization

In the second case interviewed, the specialization strategy has a positive effect on the performance of SMEs. The words are stated as follows: Turnover increased by 20% compared to last year. We increased the number of customers last year to 30%, our result was positive. We manage to reimburse our suppliers but with the bank we sometimes show delays.

During a study on the strategic behavior of IT SMEs and their performance in an uncertain environment carried out by Kwane (2017) [9] in his thesis with 19 interviewed SMEs and 101 well-informed questionnaires, we observe results of



the statistical analysis that show that there was indeed a significant relationship between the strategic behavior of IT SMEs and their performance; a significant positive relationship between the specialization strategy of SMEs and their performance. The specialization strategy therefore leads to good performance if it is followed and in line with the logic of meeting market needs. What drives us to build this presumption:

**Proposition 3:** The specialization strategy has a positive effect on the performance of SMEs in Congo.

#### 4.2.3. Market Conquest or the Offensive Strategy

The market conquest strategy or the offensive strategy has a positive effect on the performance of SMEs. The more the SME receives customers, the more the activity becomes flourishing and generates more profits. This is justified by the comments of the interviewees, cases 8 and 14, we see this phenomenon. First of all, the number of customers has increased considerably compared to previous years. Up to 60% and I certify that our clientele has increased. The SME is performing well and is able to survive in the long term. The more the employees are motivated, the more the mobilizing piece of productivity is directed upwards. The company has no problems repaying its debts and can dispose of the reserves. Secondly, we have increased the number of customers compared to last year. The SME performs well. It is able to pay its expenses and to claim to satisfy its employees while guaranteeing an increasing evolution of the turnover and its result. The logic is to increase the clientele. The company expects many customers. On a daily basis, it deploys a strategic mechanism that will allow entries to increase while controlling its need for working capital. We can therefore formulate the following proposition:

**Proposition 4:** The market conquest strategy or the offensive strategy has a positive effect on the performance of SMEs in Congo.

#### 4.2.4. Cost Leadership

In case 6 and 9, the companies interviewed, we find that the cost leadership strategy has a negative effect on the performance of SMEs in Congo. This is justified by the comments of the owner-managers of the SMEs interviewed. We have slightly increased our turnover. From 2020, turnover has increased by 6% but we have not reached our forecasts. We have not significantly increased the number of customers. The hazards constrain us. We have reached a negative result and our employees are not satisfied. My company does not perform too well. I find it difficult to meet their needs. We have increased the number of customers by 4%. In recent years our result was nil. Not really significant. We have increased our turnover but compared to the forecast the difference has been considerable. Our suppliers are put first. With creditors access to financing still remains a major challenge. In relation to expenditure and income, we achieved a positive balance, although not up to par. To measure the effectiveness of their strategies, they use SWOT analysis as a measurement tool.

This joins the statement of Bamberger (1988), who was able to show that there was a negative correlation between the strategy of cost domination and the performance of SMEs in the electronics industry sector during a survey in 1985, in eight European countries, with 1135 SMEs. These results suggest that this strategy is not suitable for SMEs in Congo. To apply this strategy, it is important to have a fairly deep mastery of production costs and the easy availability of raw materials to be able to beat the price compared to the competition. This leads us to construct the following proposition:

**Proposition 5:** The cost leadership strategy has a negative effect on the performance of SMEs in Congo.

#### 4.2.5. Innovation and Differentiation

As for cases 7 and 9 interviewed, we find that the combination of the strategy of innovation and differentiation leads to a poor performance of SMEs. This is by the words of the interviewees. We increased the number of customers to 4% compared to last year. Compared to the forecast, we have not reached the turnover but our turnover has increased by 50%. I would say that my employees are satisfied at 40%. The challenges ahead are many. The income and expenditure balance was not positive with a slightly negative result.

This situation leads us to say that the SME, although having experienced an evolution in turnover, has not achieved a positive result and remains under the influence of a negative retained earnings. In the long term the company can disappear because an innovation without a market can only lead to a lack of cash flow and conditions poor performance. Compared to previous years, turnover has increased by 40%.

The forecast was not significantly achieved. We have increased our clientele, we have gone from senior citizens to senior citizens. Our result was slightly negative. We made a positive cash flow but not so great. We had difficulties in our environment following the influence of the state and the always limited means to control our need for working capital. We have no debts to suppliers, creditors are very sensitive for our case, access to financing remains a major challenge.

The company, although generating a certain performance, undoubtedly remains in a loss-making situation. The business context being difficult in the area does not help it to generate a positive result although the turnover is positive. It remains to believe that the strategies are not effective and decidedly speaking do not direct the decisions of the owner-managers towards a good performance. The tool for measuring the effectiveness of the strategy remains the number of sales and the SWOT analysis.

Gabriel *et al.* (2017) [13] in an analysis of the strategic behavior of SMEs in the State of Hidalgo (Mexico) and from a sample of 373 companies, show that SMEs that adopted a strategy of innovation or differentiation performed better. These results are contrary to ours in the Congo context.

The negative effect highlighted in our work suggests that the combination of

these two strategies (innovation and differentiation) in companies would be misdirected or insufficiently developed with regard to competing products on the market. It should already be noted that innovation leads to differentiation and to create the difference, we must innovate. Deploying each of these two strategies, or both at the same time in a company, requires deep thought about the products in question and especially with regard to competing products.

A bad innovation, an innovation poorly perceived by consumers, an innovation that increases the price of the product compared to competing products, a misleading or degrading differentiation, are individually or jointly likely to deteriorate consumer satisfaction and loyalty and therefore the business performance. This analysis leads us to formulate the following research presumption.

**Proposition 6:** The entanglement of innovation strategy and differentiation has a negative effect on the performance of SMEs in Congo.

#### 4.2.6. Continuous Improvement of Products, Differentiation and Performance of SMEs

In case 12 interviewed, we see that there is a negative influence between the strategy of continuous product improvement and differentiation on the performance of SMEs. Did not reach our forecast turnover and our turnover increased significantly, our clientele increased significantly constrained by the epidemics we did not reach the peak A negative result we were unable to cover all the charges personnel, we have not achieved our objectives. They are not satisfied. Not only in a pecuniary way. We acquit ourselves vis-à-vis suppliers. We have no debts to creditors and this constitutes a major obstacle for our development. Income and expenditure balance was negative.

Bouguelmouna (2019) [12] in his thesis on the impact of strategic management on the performance of Algerian SMEs based on an analysis of a sample of 50 companies through an empirical test of “PLS Regression” using of the XLSTAT 2014 software, the results of which showed that the cost leadership strategy measured by the by breadth of product line, efficiency of operations, price competitiveness, and control of overhead costs, and that of differentiation assessed in terms of continuous improvement of products/services, customer service, and marketing innovation, proved to be directly positively linked to the performance of Algerian SME firms. These results are contrary to ours from the Congo. Indeed, the continuous improvement of the product presupposes a perfect knowledge of the technology to be adopted.

It should be noted that this conditions the differentiation. The combination of these two strategies would be poorly planned. For it to play favorably on the performance of the company, it must master the techniques necessary in production to meet the needs of customers. This leads us to construct the following proposition:

**Proposition 7:** The simultaneous adoption of the strategy of continuous product improvement and differentiation has a massive effect on the performance of SMEs in Congo.

#### 4.2.7. Diversification

With regard to cases 1, 4, 6, 13 interviewed, we have increased our turnover by 40%, we have not reached the expected threshold. In **Table 4**, we observe that compared to last year of course, our result was slightly positive. We started the business with two people. Today we have 7 staff, unlike the initial year of the launch of activities. Our balance was positive and not so much growing, but still we can say that the situation is possible. We have a problem with our customers paying late in a difficult situation with our supplier. The company does not have enough cash flow to pay the supplier.

In case 4, the surplus obtained does not cover the entire operating cycle in the long term. The number of customers has increased but not to the expected height. The number of customers increased to a height of 10%. Our turnover increased, the balance of income and expenses was positive despite many fluctuations. A loss result, the market did not work in our favor. With suppliers we pay our debts, it is an obligation. With creditors we are late. I think my employees are satisfied. We are seeing poor performance in this SME. She is insolvent. The activity carried out by the SME is not profitable. The SME does not generate any cash flow and will be forced in the long term to disappear because it will be unable to cover its operating and operating expenses.

In case 6, we increased it slightly. From 2020, turnover has increased by 6% but we have not reached our forecasts. We have not significantly increased the number of customers. The hazards constrain us. We have reached a negative result and our employees are not satisfied. My company does not perform too well. I find it difficult to meet their needs. With the supplier we pay normally. Access to financing is still a problem that penalizes us since we have to grow and to grow we must have financing for major investments. We have achieved a positive cash flow.

In case 13, my stocks have doubled compared to last year but not so much. We have even increased our turnover. We have increased the clientele. The difference attracts customers. We doubled the clientele compared to the past months, a negative result, we were impeccable in covering all operating expenses, we did not achieve our objectives.

Edzualiko (2011) [14] through his analysis of the diversification strategy used by the ITOYA company: problems and prospects for diversified business sectors shows that according to certain studies carried out by Martinet (1983), approximately 35% of diversifications have failed. Regarding the ITOYA company, the risks of failure are not excluded. ITOYA's diversification strategy could not prove its significance on the performance of the company, because we note the absence of feasibility studies before the launch of each activity. These results obviously assume that companies do not have enough means to embark on the diversity of products and services offered on the market. This leads us to formulate the following presumption:

**Proposition 8:** The diversification strategy has a negative effect on the performance of SMEs in Congo.

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## 5. General Conclusions

The turbulence of the economic environment usually leads to a radical change in the strategic design of companies. Currently dominated by environmental challenges, companies find themselves faced with adaptation difficulties.

It is now important to take a look at the elements that can improve their survival. The vocation of any company being to grow, it is for them to obtain stability in the medium and long term. How should these companies achieve this and stay in the market? The company must adapt to its environment by placing particular emphasis on strategic assets (Edzoualiko, 2011) [14].

The purpose of this work was to highlight the strategic choices and the performance of SMEs in Congo. With regard to the results, three aspects can be highlighted, namely: the multiplication or even the entanglement of several strategic choices in SMEs in the Congo, the dominance of differentiation as a strategic option for these SMEs and finally, the impact mixed of these choices on their performance indicators. These results make it possible to understand not only that SMEs in Congo are young, but also and above all that they are not sufficiently equipped in their strategic function. This lack of tools and especially of skills often pushes them to multiply strategic choices or to tangle strategic choices without mastering their consequences on their products or on their market and undoubtedly on their performance. How to explain the harmful effect of a strategic choice on performance? How to understand the negative effect of the combination of two or more strategic choices on performance? These questions, although they constitute scientific criticisms of this work, open more avenues for future reflection; research being, as Gaston Bachelard notes, in essence a perpetual questioning. These different results have constituted in this work and in our epistemological logic, the basis for the formulation of eight presumptions of knowledge likely to relaunch, boost and guide the future work of the candidate and many other researchers.

### 5.1. Research Implications and Recommendations

The importance of SMEs in an economy is irrefutably successful. They operate and contribute on a large scale in the process of forming the GDP of a country. Most of the companies found in Congo are small. It is therefore important to question their performance. We therefore wanted to analyze the performance of SMEs highlighted with strategic choices. Identify the effects of these strategic choices on their performance.

#### 5.1.1. On a Theoretical Level

This thesis aims to be a reading in the contribution to the current debates on the strategic choices and the performance of SMEs. Rarely presented in the Congolese context, this work makes it possible to clearly identify the concept of strategic choice highlighted with the performance of SMEs. This work involves the formulation of eight propositions which must be tested by facts in order to be the subject of scientific knowledge.

### 5.1.2. On the Managerial Level

This work makes it possible to offer solutions to SMEs allowing them to make strategic choices with a beneficial impact on their performance and to make a rapid return on investment for the survival of their SMEs. Companies must mature the strategies they operate. If they adopt several strategies, they must be attentive to the combined effect of these different strategies on performance. Managers must take a look at the combination of strategies. Are these timely? Companies must ensure that the effect of each strategy does not inhibit performance.

- ✓ Owner-managers of SMEs must favor collaboration and loyalty strategies because they have a positive effect on performance. In a hostile environment like this, companies must work by collaborating with other companies internally as well as externally, focusing on activities where customers are retained. These processes will allow them to maintain or increase their market share to the point where it is high and to achieve the expected results.
- ✓ Companies must be part of a policy of market segmentation according to the needs of supply and demand to respond to a specific problem according to the context while developing its sales.
- ✓ These companies must favor market conquest strategies. As long as they exert such a significant impact on performance. Nowadays companies should not sit back and expect customers to indulge without some conquest.

## 5.2. Limits and Future Lines of Research

### 5.2.1. Search Limits

Like any research, we believe that our conceptual and methodological reflections that led to our results have a number of limitations.

On the theoretical level, the lack of abundance of work is on the performance of SMEs in Congo. This aroused the interest of starting this research with regard to the stylized facts in the Congolese context. Insufficient work is part of determining the performance of SMEs supported by their strategic choices.

On the methodological level, the answers to the interviews carried out during the exploratory phase do not necessarily reflect a general phenomenon, even if we had reached theoretical saturation, it would always have been possible to have additional information concerning the strategic choices, the perception of the performance of SMEs in the Congolese context.

Finally, our results cannot be generalized to all SMEs because our research concerned two very specific sectors, which are the service sector and industry.

### 5.2.2. Future Lines of Research

The results of our work allowed us to identify the strategic choices observed in SMEs and their effects on performance. In the light of the contributions and limitations of this research, we are considering some areas for future development.

It would be interesting to study the influence of other strategic choices on the performance of SMEs according to several other sectors of activity because the

choice of two sectors of activity seems reductionist.

In our future work we will extend the analysis to other sectors, in order to be able to make several comparisons and identify the strategic choices that can significantly influence the performance of SMEs in each sector of activity. Similarly, it would be interesting for our future research to work with measures other than economic and financial performance to collect other dimensions that have an impact on business survival. Testing the proposed proposals would be very crucial to frame knowledge in the field of business management.

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## Conflicts of Interest

The author declares no conflicts of interest.

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