

INTERNAL AND EXTERNAL COLLABORATION STRATEGIES AND THE NON-FINANCIAL PERFORMANCE OF SMES IN LAGOS STATE, NIGERIA

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Abstract

In the modern-day scenario of fierce competition and dynamic nature of client demands along with limitations in resources in businesses, cooperation has become a common approach followed by many SMEs in order to improve the organizational efficiency. This research paper tried to examine the relationship between internal and external cooperation approaches and non-financial performance of SMEs in Lagos State, Nigeria in terms of the level of employee satisfaction and involvement, client retention and loyalty, and quality of services/products provided. In line with the theories of RBV and Stakeholder Theory, a descriptive survey research design was used in the research. Data were collected from 645 owners/managers of SMEs registered in Lagos State, Nigeria through a multistage sampling procedure from four different industries: manufacturing, real estate, agriculture, and services, and this led to a response rate of 86.93%. Data analysis was done by using partial least squares structural equation modeling (PLS-SEM) technique to test measurement and structural models. In the structural model, significant correlation was found between internal collaboration strategy and employee satisfaction and engagement ($\beta = -0.666$, $p < 0.001$), as well as customer retention and loyalty ($\beta = -0.649$, $p < 0.001$). On the other hand, external collaboration strategy had a significant correlation with quality of service/product ($\beta = 0.608$, $p < 0.001$), but not with employee satisfaction and engagement and customer retention and loyalty. However, the study concludes that internal and external collaborative activities are related to the different aspects of non-financial performance of SMEs and recommends that SMEs need to develop their collaborative efforts especially in terms of external stakeholder collaborations and internal information exchange processes while future studies need to address the problem of measurement validity and use long-term design and objective measures.

Keywords: Collaboration Strategy, Customer Retention, External Collaboration Strategy, Internal Collaboration Strategy, PLS-SEM

Introduction

Small and medium enterprises (SMEs) in developing countries are considered to be very important elements for economic development and job creation. In Africa, SMEs are responsible for more than 55% of the GDP of the continent and almost 80% of all job opportunities (African Development Bank, 2022). SMEs make up to 96% of all registered companies in Nigeria, contribute about 48% of the country's GDP, and generate 84% of all jobs (SMEDAN and NBS, 2021). Being an area with a dynamic business atmosphere, Lagos State has the highest amount of registered SMEs in Nigeria. Nevertheless, many businesses face the problems with their sustainability, high rates of staff turnover, decreasing customer loyalty, and ineffective quality management techniques (Lagos State Bureau of Statistics, 2023).

To address these challenges, firms have been employing a more collaborative approach both internal and external in order to improve their performance and competitive edge. Internal collaboration will help promote greater communication, cooperation and information exchange among organization's employees, while external collaboration will enable them to establish stronger relations with suppliers, customers and other stakeholders (Baah, Acquah and Ofori, 2022; Journeault, Perron and Vallières, 2021). But empirical researches in the past cannot come to any consensus about the topic. Although some research works (Adomako and Nguyen, 2020; Quansah, Hartz and Salipante, 2022; Sagala and Öri, 2025) concluded that there was no relationship and collaboration may only increase organisational coordination cost and conflicts, others (Baah et al., 2022; Gonzalez-Benito et al., 2016; Imtiaz et al., 2023) found positive relationship between collaboration and innovation and performance.

In addition to that, there are some problems related to the conceptualisation of collaboration and organisational performance in the existing literature. Most of the empirical studies conceptualised collaboration to be a unidimensional construct while assessing organisational performance using a set of financial measures such as profitability and growth in sales and paying less attention to other non-financial measures (Liu, 2021). Nevertheless, due to their effects on the organisation's innovativeness, its relationships with customers and financial success, employee satisfaction, customer retention, and quality of products and services are considered key predictors of sustainability of organisational performance (Kaplan and Norton, 2004; Venkatraman and Ramanujam, 1986). Moreover, earlier studies only focused on RBV or Stakeholder Theory separately without having much knowledge about their joint explanatory power (Barney, 1991; Freeman, 1984).

Also, research conducted previously in Nigeria has mainly concentrated on the issue of the success of manufacturing firms in collaboration or innovation, ignoring the role of SMEs that have been registered in several industries in Lagos State, Nigeria. Through the use of Resource-Based View and Stakeholder Theory to analyze the role of SMEs registered in several industries in Lagos State, Nigeria, this paper will assess the issues of collaboration internally and externally, as well as other non-financial performance dimensions.

Research Questions

The study seeks to answer the following questions:

1. What effect does internal collaboration strategy have on employee satisfaction and engagement among SMEs in Lagos State?
2. What effect does external collaboration strategy have on employee satisfaction and engagement among SMEs in Lagos State?
3. What effect does internal collaboration strategy have on customer retention and loyalty among SMEs in Lagos State?
4. What effect does external collaboration strategy have on customer retention and loyalty among SMEs in Lagos State?
5. What effect does internal collaboration strategy have on product/service quality among SMEs in Lagos State?
6. What effect does external collaboration strategy have on product/service quality among SMEs in Lagos State?

Research Hypotheses

H01: Internal collaboration strategy has no significant effect on employee satisfaction and engagement among SMEs in Lagos State.

H02: External collaboration strategy has no significant effect on employee satisfaction and engagement among SMEs in Lagos State.

H03: Internal collaboration strategy has no significant effect on customer retention and loyalty among SMEs in Lagos State.

H04: External collaboration strategy has no significant effect on customer retention and loyalty among SMEs in Lagos State.

H05: Internal collaboration strategy has no significant effect on product/service quality among SMEs in Lagos State.

H06: External collaboration strategy has no significant effect on product/service quality among SMEs in Lagos State.

Literature Review

Collaboration

Collaboration strategy, according to Baah, Acquah and Ofori (2022), is defined as the process through which an organisation makes use of its various resources, knowledge, relations and processes in an attempt to realize organizational objectives and enhance performance. The utilization of systematic approaches towards group problem solving, knowledge transfer, decision making, and resource management is what sets collaborative strategy apart from regular organizational communication (Sagala and Ōri, 2025). Modern organizations have started seeing collaboration as an approach that provides them with a competitive advantage, especially in places such as SMEs where resources are limited (Zahoor et al., 2020).

Collaboration strategy has two perspectives: internal collaboration and external collaboration. As per Journeault, Perron, and Vallières (2021), internal collaboration is a form of cooperation which takes place among the staff members, departmental units, and other functional units using teamwork, sharing information, trust, and decision-making. Using effective communication and joint responsibility, it helps the organisation gain better employee engagement, organisational learning, and efficiency. On the contrary, external collaboration means the collaboration of the organisation with the outside world, which includes suppliers, distributors, customers, and governments (Baah et al., 2022).

Resource-Based View Theory and Stakeholder Theory are two complementary theories regarding collaboration strategies. According to the Resource-Based View Theory, valuable, rare, unique, and non-substitutable resources in organizations—resources that are often improved through collaborative knowledge sharing and resource pooling—are key sources of competitive advantage for companies (Barney, 1991). Nonetheless, the theory does not offer much information concerning stakeholder relationship management and is mainly concerned with ways of exploiting organizational internal resources. However, as a result of the idea of the dependency of organizational success on the ability to strike a balance between the needs of different stakeholders, including employees, customers, and suppliers, among others, Stakeholder Theory complements the Resource-Based View (Freeman, 1984).

Even though collaboration has been extensively associated with positive organisational performance, differences still exist within the empirical literature. For example, Gonzalez-Benito et al. (2016), Baah et al., (2022), and Imtiaz et al., (2023) have proven that collaboration drives innovation, organisational learning, and organisational performance. On the contrary, Adomako and Nguyen (2020), Quansah, Hartz and Salipante (2022), and Sagala and Ōri (2025) believe that collaboration creates additional managerial challenges, conflicts of roles, competing demands from different stakeholders, as well as higher coordination costs that affect organisational performance adversely. Such studies have motivated the research into the unique effects of internal and external collaborations on the performance measures of SMEs.

Performance

Organisational performance refers to the extent at which businesses meet their goals through the use of financial and non-financial performance measures (Richard et al., 2009). Financial measures of performance, including sales growth and profitability have been used in measuring the success of a business; however, they fail to effectively measure the success of SMEs, especially where they operate in difficult conditions (Chowdhury et al., 2019). The study will look at non-financial performance of SMEs since this is key in measuring organisational capabilities. As per Kaplan and Norton (2004), the performance of SMEs in terms of non-financial measures is the success that comes to an organization as a consequence of increased performance in relation to stakeholders, within the organization, and in service delivery. Non-financial performance will be measured through three criteria: employee engagement and happiness, customer loyalty and retention, and quality of products/services. These criteria have been chosen because they serve as recognized predictors of organizational performance and affect customers, innovation, and competitive advantage before financial performance (Audretsch & Belitski, 2021; Baah, Acquah, & Ofori, 2022; Venkatraman & Ramanujam, 1986).

Non-financial performance of SMEs has different measures, even though employee engagement and satisfaction, customer loyalty and retention, and quality of products and services are interlinked in many ways. Customer retention is a measurement that assesses the external perception of the employees while employee satisfaction is an assessment that assesses the internal perception (Singh and Agrawal, 2019). Quality of products and services can be used as a measure of operational effectiveness (Zhou et al., 2024). Even though these measures are different and have been analyzed independently in this research, improvement in one measurement can affect other measurements as well. Collaborative approaches

influence on non-financial performance of SMEs can be easily assessed through the independent analysis of these variables (Kaplan and Norton, 2004; Richard et al., 200).

Collaboration Theme and Performance Perspective in an Organization

Collaboration has become a critical driver of organizational performance, particularly in competitive and dynamic business environments. The core themes are appropriate partner fit, trust and value (Contractor & Lorange, 2023; Ezekiel et al., 2024; Ibidunni, Ogundana & Okonkwo, 2022).

Partner Fit

According to Contractor and Lorange (2023), partner fit is the strategic alignment of cooperating organisations with respect to their goals, capabilities, and vision. Choosing the proper partner is an important initial step in cooperation since a well-matched relationship improves productivity, creativity, and long-term success (Ibidunni, Ogundana and Okonkwo, 2022). Synergy is produced by compatible partners, enabling businesses to use one another's assets for growth (Ezekiel et al., 2024). Partners must establish roles, communicate effectively, and establish a fair framework for decision-making in order to improve collaboration. Collaboration is more productive and sustainable when a partnership is well-integrated since it increases executive capacity, economic value, and environmental impact (Baah, Acquah and Ofori, 2022).

Trust

A key component of effective partnerships is trust, which forms the basis of dedication, cooperation, and risk-sharing (Contractor and Lorange, 2023). Although trust is crucial in both commercial and nonprofit collaborations, perceptions vary by industry. While non-profits see trust as a component of the social contract, businesses frequently link it to risk mitigation. Furthermore, as dependability and trustworthiness have a big impact on the results of collaboration, interpersonal trust across organisations is essential (Ibidunni, Ogundana and Okonkwo, 2022). In addition to reducing risks, trust improves information exchange, which promotes creativity and competitive advantage. It promotes the sharing of confidential information in strategic partnerships, allowing for the joint development of goods and services that raise consumer satisfaction. Additionally, trust lowers transaction costs by reducing the need for stringent compliance and monitoring, enabling businesses to use resources more effectively (Ezekiel et al., 2024).

Value

A partnership's efficacy and sustainability are based on the value it creates (Bertello et al., 2022). The Resource-Based View (RBV) theory (Barney, 1991) states that companies can obtain a competitive advantage by utilising scarce and precious resources through strategic partnerships. Long-term value creation positions businesses to adjust to changes in the market and improve overall performance by fostering stability, profitability, and loyalty. Furthermore, interactive value is facilitated by a great partner fit, which grows networks and capabilities. Synergistic value enhances an organization's dedication to people, the environment, and profitability while fostering leadership influence (Barney, Ketchen Jr & Wright, 2021; Contractor & Lorange, 2023). Organisations can increase their long-term success by utilising common resources and relationships to expand their effect beyond their primary goal through the adoption of collaborative techniques (Ezekiel et al., 2024).

Theoretical Review

Resource-Based View (RBV) Theory

Resource Based View (RBV) was established by Barney (1991), who argued that firms have an advantage due to their valuable, rare, imitable, and organized resources and capabilities (VRIO). Partnership is one way for organizations to obtain resources they cannot access due to certain constraints related to finance and technology. While external partnership helps SMEs obtain knowledge from their partners' experience, technology, markets, and distribution channels, internal partnership provides the opportunity for the exchange of knowledge among employees (Barney, 1991; Barney, Ketchen, and Wright, 2021).

Nonetheless, RBV asserts that collaboration does not necessarily lead to competitive advantage since the partner resources only make up for superior organizational performance if the resources meet the VRIO criteria of generating value, rarity, inimitability and integration into organization's activities (Barney, 1991). Therefore, SMEs should have the managerial competency of integrating the internally created resources with the external resources to increase employee motivation and satisfaction, customer satisfaction and loyalty and the quality of products/services offered. In this study, RBV provides insights into how collaborative internal and external strategies help SMEs overcome their resource deficiencies and create unique competencies that lead to superior organizational performance (Dhrubo et al., 2024; Freeman, Dmytriiev & Phillips, 2021).

Stakeholder Theory

According to the Stakeholder Theory by Freeman (1984), the success of an organisation is predicated upon its capacity to deal with relationships with those individuals or organisations who either impact or are impacted by the organisation. Each one of these stakeholders (employees, customers, suppliers, investors, government organisations, and local communities) provides the organisation with the necessary resources, credibility, and legitimacy it needs for success (Freeman, 1984; Henry, 2021). The theory suggests striking a balance between stakeholder interests and not prioritising the interests of only the shareholders in order to achieve organisational performance and sustainability. The partnerships formed with these stakeholder groups help SMEs to become resilient and competitive performers (David, David & David, 2017).

In this regard, the stakeholder theory gives an accurate explanation of the relationship between the variables included in the structural model. Via the processes of involvement, communication, and decision making, internal collaboration among the employees is supposed to improve employee engagement and happiness. Problem solving and feedback from external customers and suppliers enhance the quality of goods/services. On the other hand, customer collaboration leads to greater consumer loyalty. Collaboration with communities, governmental institutions, and financial institutions enhances the legitimacy of organisations and provides them with additional resources indirectly related to their performance (Phillips, 2003; Schneller et al., 2023).

Conceptual Framework

Independent Variable
Collaboration Strategy

**INTERNAL COLLABORATION
STRATEGY**

**EXTERNAL
COLLABORATION
STRATEGY**

Dependent Variable
Performance of SME's

**EMPLOYEE SATISFACTION
and ENGAGEMENT**

**CUSTOMER RETENTION and
LOYALTY**

SERVICE/PRODUCT QUALITY

Figure 1: Conceptual Framework

Materials and Method

This study sought to determine the effects of internal and external collaboration techniques on the non-financial performance of SMEs in Lagos State, Nigeria. A descriptive survey research design was used to conduct the research. The universe of the study consisted of 742 registered SMEs from the SMEDAN Lagos State register (2024). Registered SMEs involved in four major industries constituted the sampling frame: manufacturing (174), real estate (159), agriculture (33) and services (376). These SMEs are found in five different local government areas in Lagos State including Ikeja, Lagos Island, Ikorodu, Badagry & Epe since these constitute the major commercial/administrative locations of registered SMEs. Individual SME represented the unit of analysis based on SMEDAN (2021) criteria for classifying SMEs while an owner/manager of each SME was chosen as the respondent since he had the needed information regarding the use of collaboration techniques and organisational performance. A multistage sampling procedure involving both stratified sampling and simple random sampling was employed for obtaining an adequate representation of sectoral and geographical sectors. Stratification was done based on the type of business and the five geographic divisions of Lagos selected by the researcher from the SMEDAN registration database which forms the sampling frame. Simple random sampling was then employed for the selection of small and medium sized firms randomly from each stratum. The participation of one individual response was solicited from the selected firms. Total of 742 surveys were distributed among the target population out of which 645 responses were obtained making the effective response rate around 86.9%. Questionnaire was developed, comprising of three sections, to collect primary data. Data on the demographic characteristics of the respondents including their gender, age, marital status, religion, and the business sector where their organization operates were collected through section one. Section three provided data on the dependent variables, such as employees' engagement and satisfaction, customer loyalty and retention, and product/service quality while section two provided data on the independent variables, that is, collaboration strategies. In order to measure each construct, a four-point Likert scale where 1 means 'strongly disagree' and 4 'strongly agree' was employed. The PLS-Structural Equation Modelling (PLS-SEM) was applied in analyzing the data because it is useful in complicated predictive modelling with many latent constructs. The measurement model was applied to measure indicator reliability, internal consistency reliability, convergent validity, and discriminant validity while the structural model was applied to measure path coefficients, coefficient of determination (R^2),

effect size (f^2), predictive relevance (Q^2), bootstrapped t-values, significance level and model fit using Standardized Root Mean Square Residual (SRMR).

Results and Discussion

A total of 742 questionnaires were distributed to owners and managers of registered small and medium-sized enterprises (SMEs) in Lagos State, Nigeria. Of these, 645 completed questionnaires were successfully returned through a combination of physical distribution and Google Forms, representing an effective response rate of 86.93%. Accordingly, the analysis and findings presented in this study are based on the 645 valid responses obtained from SME owners and managers. The high response rate indicates strong participation and provides an adequate sample for subsequent statistical analyses, including Partial Least Squares Structural Equation Modelling (PLS-SEM)

Descriptive Statistics

Table 1: Descriptive Statistics

Name	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
SEX	1.465	1.000	1.000	2.000	0.499	-1.987	0.140	0.000
AGE	2.298	2.000	1.000	4.000	0.712	-0.239	0.091	0.000
M.STATUS	1.857	2.000	1.000	3.000	0.515	0.396	-0.194	0.000
YEARS IN BUSINESS	2.564	3.000	1.000	4.000	0.858	-0.680	0.095	0.000
SECTOR	2.740	2.000	1.000	4.000	1.033	-1.482	0.140	0.000
ICS 1	1.412	1.000	1.000	3.000	0.532	-0.617	0.757	0.000
ICS2	1.372	1.000	1.000	3.000	0.523	-0.254	0.949	0.000
ICS3	1.470	1.000	1.000	3.000	0.538	-0.953	0.510	0.000
ICS4	1.550	1.000	1.000	3.000	0.617	-0.520	0.661	0.000
ICS5	1.484	1.000	1.000	3.000	0.541	-0.956	0.476	0.000
ECS1	2.431	2.000	1.000	4.000	0.957	-0.842	0.389	0.000
ECS2	2.278	2.000	1.000	4.000	0.961	-0.749	0.409	0.000
ECS3	2.239	2.000	1.000	4.000	0.948	-0.470	0.625	0.000
ECS4	1.977	2.000	1.000	4.000	0.921	-0.075	0.811	0.000
ESE1	2.834	3.000	2.000	4.000	0.892	-1.666	0.331	0.000
ESE2	2.740	2.000	1.000	4.000	0.874	-1.453	0.504	0.000
ESE3	2.808	2.000	1.000	4.000	0.898	-1.582	0.336	0.000
CRL1	2.698	2.000	1.000	4.000	0.882	-1.240	0.426	0.000
CRL2	2.854	3.000	1.000	4.000	0.877	-1.621	0.274	0.000
CRL3	2.825	3.000	1.000	4.000	0.866	-1.538	0.317	0.000
SPQ1	2.233	2.000	1.000	4.000	1.015	-0.799	0.528	0.000
SPQ2	2.153	2.000	1.000	4.000	0.898	-0.073	0.737	0.000
SPQ3	2.836	3.000	1.000	4.000	0.890	-1.601	0.288	0.000

The table 1 provides the descriptive statistics for the research variables in terms of skewness, kurtosis, mean, median, standard deviation, and Cramér von Mises normalcy statistics. From the demographics such as gender, age, marital status, years of experience in business, and the business industry, it is quite obvious that the respondents are equally distributed. The standard deviations from 0.499 to 1.033 show that the respondents' opinions were not so diverse.

Whereas the values of excess kurtosis ranged from -1.987 to 0.396, those of skewness ranged from -0.194 to 0.949. This clearly shows that there was no departure from the assumption of normalcy based on the measures used. PLS-SEM being an estimate approach whose data need not necessarily be normal does not have the assumption of multivariate normality

despite the fact that the Cramér-von Mises test was statistically significant in all the variables considered. It therefore was concluded that the data's nature was suitable for further analysis.

Construct Reliability and Validity

Table 2: Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customer Retention and Loyalty	0.896	0.898	0.935	0.828
Employee Satisfaction and Engagement	0.899	0.908	0.937	0.832
External Collaboration Strategy	0.831	0.842	0.922	0.855
Internal Collaboration Strategy	0.973	0.982	0.979	0.904
Service Product and Quality	0.895	0.899	0.935	0.827

The construct reliability test was carried out by applying Cronbach alpha and composite reliability methods. Since the measures adopted have internal consistency from 0.7 to 0.9, the requirement of construct reliability for the data set is appropriate. Moreover, the average variance extracted criterion, which has to exceed 0.5, was applied in order to carry out the concept validity criterion. All measures and constructs have exceeded the 0.7 and 0.5 cut-off points, meaning that they are appropriate for further analysis.

Table 3: Outer Loadings

	Customer Retention and Loyalty	Employee Satisfaction and Engagement	External Collaboration Strategy	Internal Collaboration Strategy	Service Product and Quality
CRL1	0.987				
CRL2	1.028				
CRL3	0.983				
ECS1			1.038		
ECS2			0.987		
ECS3			1.206		
ECS4			0.706		
ESE1		1.021			
ESE2		0.985			
ESE3		0.991			
ICS 1				0.984	
ICS2				0.933	
ICS3				1.007	
ICS4				1.099	
ICS5				1.008	
SPQ1					1.070
SPQ2					1.042
SPQ3					0.189

Table 3 presents the indicator loadings for each construct. Most indicators exhibited strong loadings on their respective constructs, indicating that they adequately represented the latent variables.

Table 4: Discriminant Validity using Fornell-Larcker Criterion

	Customer Retention and Loyalty	Employee Satisfaction and Engagement	External Collaboration Strategy	Internal Collaboration Strategy	Service Product and Quality
Customer Retention and Loyalty	0.869				
Employee Satisfaction and Engagement	0.062	0.028			
External Collaboration Strategy	0.447	0.449	0.023		
Internal Collaboration Strategy	0.680	0.561	0.325	0.392	
Service Product and Quality					

The highest correlation observed was 0.869 between employee satisfaction and customer retention, while all remaining correlations ranged between 0.023 and 0.680.

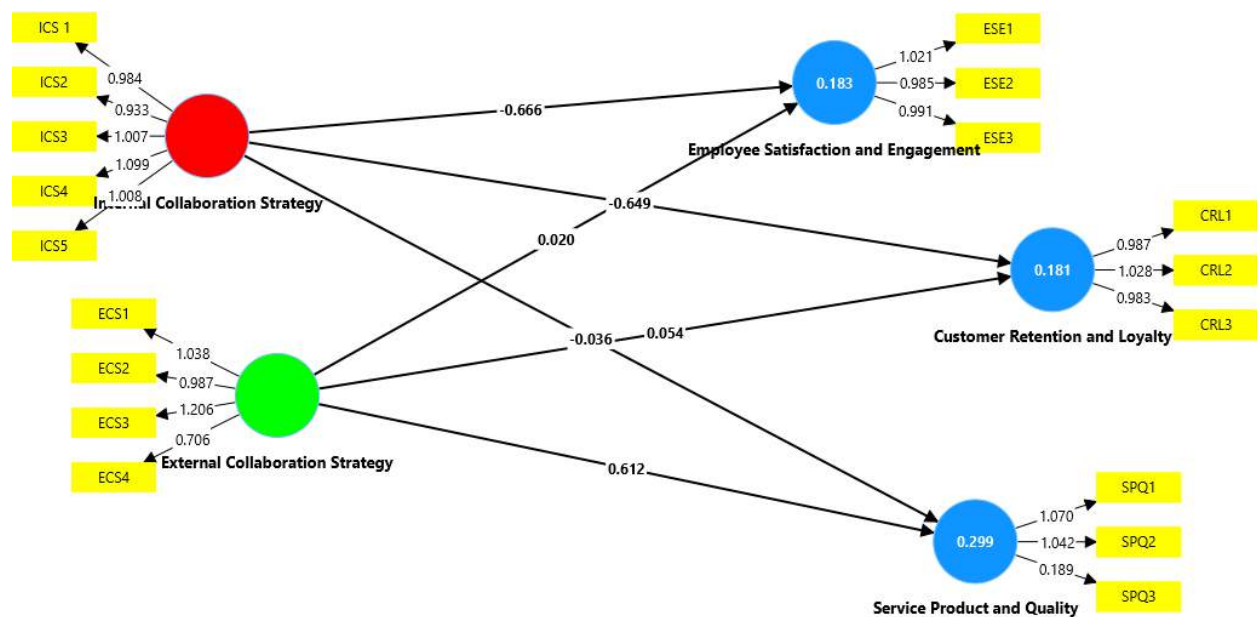


Figure 2: Measurement Model

Structural Equation Modelling Evaluation

Table 5: Result of Testing Hypothesis

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
External Collaboration Strategy - > Customer Retention and Loyalty	0.054	0.054	0.042	1.271	0.204
External Collaboration Strategy - > Employee Satisfaction and Engagement	0.020	0.020	0.045	0.447	0.655

External Collaboration Strategy - > Service Product and Quality	0.608	0.618	0.069	8.832	0.000
Internal Collaboration Strategy -> Customer Retention and Loyalty	-0.649	-0.652	0.071	9.190	0.000
Internal Collaboration Strategy -> Employee Satisfaction and Engagement	-0.666	-0.670	0.074	9.036	0.000
Internal Collaboration Strategy -> Service Product and Quality	-0.041	-0.034	0.108	0.377	0.706

Note: * indicates significance at 5%

The structural model was assessed using the standardized path coefficients (β), bootstrapped t-statistics and associated p-values to determine the significance of the hypothesised relationships between collaboration strategies and the non-financial performance dimensions of SMEs.

Internal Collaboration Strategy and Employee Satisfaction and Engagement

The results showed that the internal collaboration strategy had a significant negative impact on the employees' satisfaction and engagement ($\beta = -0.666$, $t = 9.036$, $p < 0.001$). As the value of p is less than 0.05, therefore, the null hypothesis H01 is rejected. This means that the changes in the internal collaboration strategy have a significant relationship with employees' satisfaction and engagement.

Decision: Reject H01.

External Collaboration Strategy and Employee Satisfaction and Engagement

Coefficient of path from external collaboration strategy to employee satisfaction and engagement was positive but not significant ($\beta = 0.020$, $t = 0.447$, $p = 0.655$). As the probability value is greater than 0.05, the null hypothesis cannot be rejected. It suggests that external collaboration strategy has no effect on employee satisfaction and engagement in the Small and Medium Enterprises in Lagos State.

Decision: Fail to reject H02.

Internal Collaboration Strategy and Customer Retention and Loyalty

From the above results, it is apparent that the internal collaboration strategy affects the level of customer retention and loyalty ($\beta = -0.649$, $t = 9.190$, $p < 0.001$). The null hypothesis, therefore, is not accepted since there exists a negative coefficient for the above relationship as expected.

Decision: Reject H03.

External Collaboration Strategy and Customer Retention and Loyalty

The influence of external collaboration strategy on customer retention strategy was insignificant ($\beta = 0.054$, $t = 1.271$, $p = 0.204$). Given that the probability level is greater than 0.05, it shows that the influence of external collaboration on customer retention and loyalty is insignificant.

Decision: Fail to reject H04.

Internal Collaboration Strategy and Service/Product Quality

The effect of internal collaboration strategy on service/product quality is negative and statistically insignificant ($\beta = -0.041$, $t = 0.377$, $p = 0.706$). Hence, the null hypothesis is not

rejected. This shows that internal collaboration strategy has no significant effect on product and service quality in SMEs operating in Lagos State.

Decision: Fail to reject H05.

External Collaboration Strategy and Service/Product Quality

The variable external collaboration strategy was found to have a significantly high positive relationship with service/product quality ($\beta = 0.608$, $t = 8.832$, $p < 0.001$). This path coefficient means that an improvement in the external collaboration strategy with the organization's suppliers, customers, and other stakeholders leads to an improvement in service and product quality.

Decision: Reject H06.



Figure 3: Structural Model

Table 6: Summary of Hypothesis

Hypothesis	Path	β	t-value	p-value	Decision
H01	Internal Collaboration → Employee Satisfaction	-0.666	9.036	<0.001	Reject H ₀
H02	External Collaboration → Employee Satisfaction	0.020	0.447	0.655	Fail to Reject H ₀
H03	Internal Collaboration → Customer Retention	-0.649	9.190	<0.001	Reject H ₀
H04	External Collaboration → Customer Retention	0.054	1.271	0.204	Fail to Reject H ₀
H05	Internal Collaboration → Service/Product Quality	-0.041	0.377	0.706	Fail to Reject H ₀
H06	External Collaboration → Service/Product Quality	0.608	8.832	<0.001	Reject H ₀

Conclusion and Recommendations

Conclusion

The aim of the current study is to understand the impact of internal and external collaboration strategies on the non-financial performance of SMEs operating in Lagos State of Nigeria by examining the variables of employee engagement and satisfaction, customer loyalty and retention, and service/product quality. Whereas external collaboration strategies positively

impact service/product quality, internal collaboration strategies positively impact employee satisfaction and engagement, and customer retention and loyalty, based on research findings using partial least square structural equation modeling (PLS-SEM). Neither internal nor external cooperation strategies positively impact service or product quality, nor do they affect employee engagement and happiness, customer loyalty, or retention.

Although statistically significant relationships have been established between certain hypotheses, negative results regarding the influence of collaboration strategy within the company on client loyalty and employees' job satisfaction do not coincide with theoretical expectations and the empirical evidence available. Nonetheless, it can be concluded that various factors of collaboration affect various performance-related factors, which implies that both internal and external collaborations cannot be treated as equivalent strategies of improving performance of SMEs.

Recommendations

Managers of small and medium enterprises (SMEs) have to improve their collaboration strategies using information exchange, cooperation, communication, and developing alliances with suppliers, customers, and all other relevant parties. Given that the above was the only relationship that had a positive impact on the company, efforts need to be focused on utilizing external collaboration for better service and product quality. Nonetheless, in order to determine the reasons behind the negative relationships between customer retention and employee satisfaction, it is necessary for small and medium enterprises to evaluate its internal collaborations.

The government, especially SMEDAN, as well as business organizations and enterprises development organizations, should develop training programs that would enable SMEs to develop skills on quality management, stakeholder management, and cooperation management. For construct validity of future results, it is better to use longitudinal methods with objective indicators of organizational performance and develop measures for measuring instruments. Future research should also focus on higher order constructs, indicator coding, HTMT ratios, and cross loadings.

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