

REENGINEERING THE STRATEGIES FOR MANAGING SMALL BUSINESS ENTERPRISES

Akpan Efremfon Johnny¹ & Dr. Ime Robson Nseobot²

Department of Business Administration, Akwa Ibom State Polytechnic, Ikot Ekepene, Nigeria

Corresponding Email: nseobot857@gmail.com

ARTICLE INFORMATION

Received: 10th May, 2024
Accepted: 12th May, 2024
Published: 26th June, 2024

KEYWORDS: Business Management,
Smes, Small Business Enterprises.

JOURNAL **URL:**
<https://ijois.com/index.php/jobpef>

Editor-in-chief: Assist. Prof. Dr (C) Ari
Riswanto

PUBLISHER: Empirical Studies and
Communication – (A Research Center)
Website: www.cescd.com.ng

ABSTRACT

Considering the technological advances and the development of the business management processes, competition in the possession of the market share is one of the most important challenges faced by managers and organizational leaders in the current era. Leading SMEs firms try to establish different methods of business management to increase their market share and the rest of organizations have to change their process and tend to establish management systems or business process reengineering to maintain their position in the market. Here, small businesses due to their role in national and global economy and unique features to promote entrepreneurship and entrepreneurial skills, and because of their ability to be flexible and adapt quickly to a changing market, and to generate new jobs.

1.0 INTRODUCTION

The history of business in Nigeria cannot be discussed without taking into consideration the history of small business enterprises. Small business enterprises (SBEs) are spread all over the formal and informal sectors in urban and rural areas of the economy (Afolabi, 2012).

It could be adduced from the above that there is no generally acceptable definition of small-scale business. Different individuals, bodies and acts have variously given it a wider spectrum of definitions.

The importance of small business enterprises in Nigeria cannot be over-emphasized. They provide employment to about 80 percent of Nigerian labour force and hence constitute a veritable avenue for ensuring balanced and reasonable economic development (Etuk et al, 1995).

In spite of numerous incentives and support from government and other agencies their level of capacity utilization currently stands at less than 50 percent (NBS, 2005; NEEDS, 2007). Consequently, the business enterprises in the country declined more than ever. Many small business enterprises crumbled shortly after going into operation (C.B.N 2007). However, the challenges that are currently bedeviling the growth and development of small business enterprises vis-à-vis the Nigeria economy may be attributed to the lack of effective or sound management strategy in the operation of such business by operators.

Osabení (1983), identified the following as challenges of managing small scale enterprise.

This study is focused on the strategies for managing small scale enterprises in a developing economy. Every business man or entrepreneur is always confronted with the challenges of adequate funds. In most cases, they do not have time to analyze their financial goals. Over the years small and medium scale enterprises have aided the development of an economy. These include helping the improvement of standard of living, facilitating industrialization process which in turn has helped to reduce the high rate of unemployment.

Unfortunately, small and medium scale enterprises often face some difficulties at times because the profits and benefits tend to wear out gradually due to the challenges faced in funding small and medium scale enterprise in Nigeria. The reasons behind these difficulties include: long processes of loans by banks, high interest rates lack of collaterals security. All these tend to act as constraints against successful performance of small and medium scale enterprises.

Concept and Meaning of Small Business Enterprises

Small business enterprises (SBE) have been variously defined. There is no consensus on the definition. The reason is that different countries are at different levels of development and operate within different economic conditions. The definition adopted in a country is influenced by its economic circumstances

Furthermore, the relative condition of different firms in different industries, the size of the capital, number of employees and market size may not be the same. A firm in a particular industry may be small relative to others in the same industry but when compared with the firm in another industry, it may be considered large. In the same vein, a firm in a particular industry may be seen as large but relatively to over outside that industry. It may be considered small because the size is relatively and it is difficult to adopt a consensus definition of small-scale enterprises.

In Nigeria, a number of different definitions have been adopted by different authors and different agencies based on one or a combination of the following, capital base turnover, number of employees and market size.

According to Sage (2005), small scale enterprise is defined as business owned and controlled by one or few persons with owners influence in decision making and having a relatively small share of the market and relatively low capital requirement.

The central bank of Nigeria (CBN) defined small scale enterprise (for commercial and merchant bank loan) as one whose capital investment (including land and working capital) does not exceed five million or whose turnover does not exceed twenty-five million annually.

The Nigeria bank for commerce and industry (NBCI) adopted a definition of small-scale business as one with total capital not exceeding ₦750, 000 (excluding cost of land but including working capital). The federal ministry of industry guideline to CBN defined a small-scale enterprise as one with capital of not exceeding ₦500, 000 (excluding land but including working capital).

The Nigeria Industry Development Bank (NIDB) defined small scale enterprise as an enterprise that has investment and working capital not exceeding as those operating with the range of ₦750,000 to 3 million (Zalina, 1993). In 1979, the CNB guideline to money deposit banks stated that “small scale enterprise are those with capital investment not exceeding ₦500,000 while the merchant bank has to regard small scale enterprises as those with capital investment not exceeding ₦2 million (excluding cost of land) with maximum turnover of not more than ₦5 million”.

According to National Economic Reconstruction Fund (NERFUND, 2001) and world bank defined small scale enterprises as business whose total fixed asset (excluding land) plus cost of investment do not exceed ten million. Dave (1995) sees, small scale enterprises with a clear fundamental issue that the concept of small business is not limited to one man road side store or small retail shops as erroneously believed by some people. Some small-scale business may involve huge sums depending on the type of business and the industry branch mark.

Qiaka (2000), observed that the service of small-scale business is mainly for the demand of their immediate local environment and that their proprietors are usually conservation and suspicious unwilling to realize information about their business for fear of taxation and unwanted competition.

It could be observed that there is no consensus in the appropriate definition of what constitutes a small-scale enterprise in the system which would have a serious implication for any analysis of the group. Also, it can be argued whether those criteria could hold in the present-day Nigeria, given the higher operational cost as a result of the continuously depreciation of the national currency and the resultant inflationary impact.

2.0 Motives for Establishing a Small Business Enterprise

In discussing the problems of establishing small business enterprises, it also important to discuss the motives for establishing small and medium enterprises within the small-scale industrial sector which are based on the following factors:

It is assumed by the Nigerian industrial sector that the large-scale industry has not been an engine of growth, provider of employment, tax policies, finance, general trade and direct

subsidy. So based on these prepositions that SMEs are more efficient, responsible and viable; mentioned below are the few qualities and motives for establishing an SME;

1. SMEs mobilizes funds that which would have been idle if not put to use
2. SMES has been recognized as the bedrock for indigenous entrepreneurship
3. SMES promotes indigenous technological know-how
4. They are labor intensive and they employ more labor per unit of capital than large enterprises;
5. They adapt easily to customer's needs and requirements;
6. They cater for the need of the poor;
7. They are capable of competition but behind protective barriers, which though makes them have less foreign exchange requirements;
8. They are more flexible in their dealings and operations;
9. They improve the efficiency of scare resources;
10. SMEs facilitate long term growth and economic development;
11. SMEs have a reasonable potential to acquire technological capabilities and to develop new products and processes, and can also contribute to national technological development and competitiveness.
12. They can often adapt to changing demand patterns, trade patterns and macro-economic conditions. This increases industrial flexibility.
13. SMEs provide a setting which assets and skills can be accumulated, it can lead to a better economic benefit for those who acquire the skills, and for the house-hold they seek to support.

Additionally, if we look at the motives for establishing an SMEs, the social benefits, while analytically separable can be linked to economic benefits from the social perspective which means that, SMEs can help to bring about social change, the experience of owning and operating a firm, can help develop the individual feelings of responsibility and the ability to participate in governance. SMEs can help to institutionalize democracy and increase social stability. They can achieve these through the creation of structures that reflects peoples' needs and objectives. They can contribute to the development of any particular region, most especially if the groups of similar businesses can create a collective and effective efficiency.

2.1 Contributions of Small Business Enterprises

Reflecting the above characteristics, small scale business enterprises have emerged, especially in the developing world like Nigeria, with roles of employment generation, encouragement of rural development, assisting substantially in lifting Gross Domestic Product (G.D.P), developing entrepreneurship and providing avenue for self-employment.

According to Beacham (1961), small business enterprises play the following significant roles to the Nigeria's economy:

- i. Small business enterprises contributed greatly to the Nigeria development in terms of employment, growth and development and marketing of goods and service. The Nigerian government focuses on small and medium scale industries and entrepreneurs as a means of developing the economy and also solving problems (Ayozie, 2006; Latino and Ayozie, 2010).
- ii. Small business enterprises are very important economic catalysts to conquer poverty and inequality by democratizing, deregulating and liberalizing the integration of global economy.

- iii. Small business enterprises contribute to the transition of agriculture led economies to industrial ones, absorbed productive resources at all levels of the economy and contribute to the building of flexible economic system which small and large firms interlinked (Fida, 2008).

Small and medium enterprises are responsible for the growing forces of the largest growing economy, such as china, in terms of Gross National Product (G.N.P) contribution which amount upto of 60% diversification of product, scale of assets and creations of employment (Kongola, 2010). In Nigeria, small business enterprises create the chances of survival to sustain the rural dwellers.

According to Nseobot, (2012), who identified the following merits of small-scale business enterprises as:

1. **Economic Sustenance:** During economic recession, the activities of small-scale enterprises help in sustaining the economy.
2. **Reduction of Rural to Urban Drift:** This incidence of urban migration had been reduced since most rural dweller engages themselves with small business operation.
3. **Utilization of Resources:** Resources that would otherwise remain idle and wasted are mobilized and utilized for production by small business operation.
4. **Better Standard of Living:** This comes as a result of the numerous economic activities carries out by small business. The increase in consumer demand due to the increase in the supply of goods and service brings about better standard of living.

2.2 Challenges of Managing Small Business Enterprises

Small scale enterprises owing to their peculiar nature are beset with myriads of special problems which directly or militate against their survival and growth. lack of indigenous entrepreneurial initiative for industrial development is a characteristic of most development countries. Limited resources of capital and skilled labour, a lack of technological and managerial knowledge and limited markets are important handicaps to the acceleration of industrial development in Nigeria. In large industrial establishments, some of these handicaps are alleviated by foreign assistance collaboration.

Unfortunately, the small-scale industries do not enjoy such benefits and as such benefits and as such dependent almost entirely on indigenous entrepreneurs. Some of the problems facing small scale industries come from the owners while some come from unpredictable environmental force which are external to the business and they include government units' competition etc. some other problems can be identified in different functional areas such as manufacturing marketing, financial and labour.

But generally, the following problems have been identified by the researched as the major factor militating against the establishment of small-scale enterprises in Nigeria.

- a. **Lack of Start-up Capital:** The early-stage financing is usually the most difficult and costly to obtain. There are two types of financing at this stage, seed capital and startup capital. Seed capital is relatively small amount of fund needed to prove concept and finance feasibility study. It is the most difficult to obtain because the venture capitalist is usually not interested at this level of funding. While start-up capital is involved to determines if commercial sales are feasible. It is also very difficult to obtain. No good business ideas can ever surface without fund.

- b. **Lack of Land and Good Location:** Before any small scale industry is established, this is the need to acquire land on which the factory site or the warehouse will be built. In urban areas, land is not usually available and when available, it will be very expensive beyond the reach of the small scale entrepreneur. In the rural area where land is bound to be available at the reduced cost, other necessary infrastructures will be lacking. Good location of our businesses is very important for the easy survival of the enterprise but it is very difficult to get and where available, the cost will not be affordable for any small business operator.
- c. **Poor Government Policies:** Nigerian government has not been able to have entrepreneurs in establishment process of small scale business. Instead, one obnoxious policy or the other was used in making things difficult for young entrepreneurs. Government is only interested in revenue generation without noticing how it has hindered the establishment of more small business in Nigeria. Every new business that is still struggling to survive is expected to pay between ₦5,000 to ₦20,000 as business premises and a lot of other payment. The business is also expected to pay almost the same amount to the local government where it is situate. All these end up pulling the business down.
- d. **Insecurity of Lives and Properties:** Security problems are one of the major problems of establishing small scale enterprise in Nigeria. Even the large scale business that can afford to employ the services of security personel are not free from this social menace. Any business that deals on highly valued products are not safe. Consequently many prospective investors opted to keep their money in bank or use item and buy empty lands for re-sale in future than to risk the money by establishing any business at all.
- e. **Psychological factors such as: lack of self confidence, lack of creativity and fear of failure:** Another factor that has seriously militates against the establishment of small scale enterprises in Nigeria is psychological factors. Although it has never been seen as a problem, but it has eaten deep on young entrepreneurs. Most people don't believe in themselves, they think they can't do it. They are always waiting for others to take the lead or nothing for them. They also lack the foresight to think ahead of others, no creativity in them. Always afraid that the business must fail like other ones that failed. They think they cannot make a difference and therefore there is no point in trying to establish once. They make the money but the fear of the unknown will not allow them to invest.
- f. **Lack of Infrastructural Facilities:** The performance of small and medium enterprises (SMEs) has also been hindered by the lack of infrastructural facilities like power supply, telecommunication, access road network and water supply constitutes one of the major constraints challenging small and medium enterprises (SMEs) in Nigeria.

The erratic power supply has hindered the business environment. In Nigeria, most businesses have fold-up or cannot operate as a result of irregular and epileptic power supply. The problem of power is so bad to the extent that the large industries are now relocating to Ghana and other neighboring countries while majority of the small and medium scale business has since gone into extinction. The implication of this has led to the reduction in production activities.

The cost of fueling generators, machines and equipment has led to cut in employees and running cost of the small and medium scale enterprises. This has eventually led to the folding up of most of these enterprises in Nigeria, since they cannot compete in the market anymore.

- g. **Internal Characteristics and problem of small and medium enterprises (SMEs):** Most small and medium scale enterprises in Nigeria are battling with serious internal problem. These

problems range from management practice. Poor accounting standards, shortages of manpower, financial indiscipline and corruption. The reasons why most small and medium enterprises (SMEs) have not been able to improve are due to poor management knowledge and practices, transparent organization set up, succession plan, entrepreneurial skills, strategic business plan etc. the death of such skill in most small and medium scale enterprises due to inadequate educational professional and technical background on the part of the owners and employees of small and medium enterprises (SMEs) into further crisis.

- h. **Lack of Easy Access to Funding/Credits:** Without easy access to funding which can be traceable to the reluctance of banks to extend credit to them owing, among others, poor and inadequate documentation of business proposals, lack of appropriate and adequate collateral, high cost of administration and management of small loans, as well as high interest rate. Also, the absence of long-term finance to fund capital assets and equipment under project finance for small business enterprises.
- i. Lack of suitable entrepreneurial training also accounts for why most small business enterprises in Nigeria performed below standard. Low level of education and training lead to poor managerial capacity, inadequate entrepreneurial knowledge and skills on the part of small business enterprise operators.
- j. Weak demand for products and dwindling consumer purchasing power of goods arising from the death of marketing strategy due to inadequate educational background on the part of small business enterprises promoters and their staff. The inability to penetrate and compete favorably in markets may result from lack of adoption of appropriate marketing strategy or poor-quality products.

Solution to the Challenges of Managing Small Business Enterprises

- a) To meet financial challenges of financing small and medium scale enterprise is to ensure that there is sufficient working capital to meet the objective of the business; the strategy for achieving this would be introduction of check and balances, controlling access to improve financial and deliberate reduction of overheads expense “Oshagbemi (1983)”.
- b) To meet technological challenges: Technology has to do with methods with systematic application of knowledge to practicalize task in industry.
- c) To meet marketing challenges by selling the company’s products in such a quantity as would result in agreed turnover that would require decision on product brand, product, mix pricing, advertisement and distribution channel to be use.
- d) To meet management challenges: a lot of sectors have been seen as hindering the growth rate and development of organization. Small and medium scale enterprise also suffers some challenges in the area of management.
The strategy that could be applied is the following:
 - i. **Manpower Planning or Human Resources:** Planning the recruitment based on qualification and experience give room for job training if need arise and when necessary.
 - ii. **Staff Motivation:** Should be encouraged example good salary structure, good working environment and condition.
 - iii. **Government:** Government is a great contributed for the survival of small and medium scale enterprise. Through government policies survival could be promoted or discourage. The government can extend loan facilities to probe up the activities of small scale business. It can also give tax holidays as an inducement; it can make over the purchase of primary product at reasonable price at real period point of view.
 - iv. **Threat of bankruptcy:** Many of them finds it difficult to breakeven. They cannot pay business debts and stand the task of winding up.

2.3 Reengineering Strategies Adopted in Managing Small Business Enterprise

There are various strategies adopted by small business enterprises to enhance its operation effectively. Nwachukwa (2008) identified some of these strategies to include;

1. **“Growth Strategies”** which refers to a strategic plan formulated and implemented for expanding firm’s performance (Andrew, 2001), the pure competition model does not present a viable tool to assess a business performance. One of the most respected models to assists with this analysis is “porter’s five forces model” which attempts to realistically assess potential level of profitability, opportunity and risk based on five key factors within an industry. This model may be used as a tool to better develop a strategic advantage over competing firms within an industry in a competitive and healthy environment (Porter, 1998).
The five variables responsible for the forces analyzed using this model are the industry suppliers, buyers, potential new entrants, substitute products and the competition among existing firms.
2. **Marketing Strategy:** Marketing strategy porter (2004) noted that marketing is most effective when it is an integral component of business strategy. Defining how the organization aspires to engage customers, prospect and the competition in the market place for success.
According to Salazar, marketing is an important as production, financing, cash flow and other profit determining factors in small and medium enterprises. This is because the producer, who develops a sound marketing strategy, definitely has economic advantage over these producers who don’t.
3. **Pricing Strategy:** Pricing strategy is where large and small business competes in rating pricing in the market in order to win customers. This is an essential component of marketing. However, SMEs compete in placing favourable price to their customer as a way of retaining their customers as well as attracting other potential customers through networking basing on pricing. According to Bauer and Colgon (2001), lower prices lead to higher demand and therefore, to a large market. Though most of the managers perceive this is not a good strategy for growth since customers may have perception that the product or service of low price is a standard one.
4. **Innovation Strategies:** According to David (1989) this has to do with providing major sources of new ideas and invention of better economic goods and services to constantly grow better.
5. **Market Development Strategies:** Managers of small-scale enterprise should develop new markets for their current product (Benback, 1992).
6. **Diversification Strategies:** The opportunity to develop product for new markets are viewed as identifying opportunities to build, acquire business that are related to company’s current business “Grefier, 1984”.
7. **Production Development Strategies:** According to Akenwa (1990) it is necessary to identify the production process involved in the transformation so as to know at what state a particular input material are required and to determining the relationship between input and output qualities so as to maintain quantity and quality standard.
8. **Market Strategies:** According to van Horne (1997), investment in a product that has no market will eventually turn out to be a waste of resources and time it involves taking into consideration the prevailing market condition and identify the competitor and also determine their capabilities to buying sure of the market before investment in order to remain relevant.

CONCLUSION

Business strategy is a process of formulating and implementing comprehensive plans that will help business organizations to fulfill their mission and achieve their strategic goals. That the aggregate strategies which will help business enterprises especially SMEs to survive longer in business activity.

Unfortunately, in Akwa Ibom State as well as Nigeria, there are a lot of problems facing small business enterprises such as inadequate finance and poor infrastructural facilities etc. which in turn are major challenges confronting business organizations.

In this study, it has been shown that despite these problems, if there is effective financial planning and support, and adequate infrastructures put in place, then these will help to reduce the problems associated with the managing small business enterprises.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made as follows:

1. Government should be assisting small business operators on how to manage credit facilities and how to secure soft loans, grants etc to boost their operations in the country. This can be achieved through regular seminars and workshop for operators of SMEs
2. Operators of Small business enterprises should be trained to acquired entrepreneurial skills in line with the nature of their businesses to enable them be acquainted with appropriate managerial skills so as to be able to managed their business enterprises.
3. Conducive business environment should be provided for both employers and employees for them to exhibit their skills effectively
4. The current teaching of entrepreneurial education and other business education should be vigorously pursued to inculcate into the young graduate the spirit of business enterprises and to awaken in them the desire to venture into small business enterprises.
5. Strength, weakness, opportunity and threat (SWOT) analysis should be conducted by owners of small and medium enterprises (SMES) in other to identify and implement ideas that will make the business thrive

REFERENCES

- Afolabi, F (2012) *The Role of Small-Scale Industry in National Development in Nigeria*. Texas Cat Publishers
- Ayozie, O. (2006): *Relevance of Small and Medium Enterprises in the Nigerian Economy*. Enugu Emerald Group Pub. Ltd
- Beacham, U. (1961): *Importance of Small and Medium Enterprises in Nigeria*. Cambridge, Bendely Publisher.
- C.B.N (2007) *Entrepreneurial Theory and Creativity* university of Pretoria: passive panda press.
- Etuk etal, (1995) *Journal of Enterprises Development*, International Journal Research and Development Institute, I(1): 1 – 8.

- Kongola, E. (2010) Kongola E. (2010) “Management strategies adopted by firms that may offer carrier service in Kenya” Unpublished Thesis, school of Business, university of Nairobi.
- Latino, A and Ayozie, R. (2010) The Meaning and Concept of Small Business in Nigeria. Maryland Pekiker publishers.
- NEEDS, S.D (2007) Strategy Management: Concept and Causes (9th Ed): new Jersey. Pearson education Inc.
- Osabeni, O.E (1983) Importance of Small and Medium Enterprises in Nigeria. Horuard unancouver press.
- Qiaka, K.L (2000) Entrepreneurship and Small Business Management. New Delhi, Deep & Deep Publication Ltd