



Reengineering the Strategies for Managing Small Business Enterprises

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Abstract: *Given technological advancements and the evolution of business management processes, competition for market share is one of the most significant challenges confronting managers and organisational leaders today. Leading small businesses attempt to establish various methods of business management in order to increase their market share, whereas the rest of organisations must change their processes and tend to establish management systems or business process reengineering in order to maintain their market position. Small businesses are important in this context because of their role in the national and global economies, their unique characteristics that encourage entrepreneurship and entrepreneurial skills, their ability to be flexible and adapt quickly to a changing market, and their ability to create new jobs.*

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 the government and other agencies, their level of capacity utilisation 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 Nigerian economy may be attributed to the lack of an effective or sound management strategy in the operation of such businesses by their operators. Osabeni (1983) identified the following challenges to managing a small business:

This research focuses on small-scale enterprise management strategies in a developing economy. Every businessman or entrepreneur is always confronted with the challenge of obtaining adequate funds. In most cases, they do not have time to analyse their financial goals. Over the years, small and medium-sized enterprises have aided in the development of an economy. These include helping to improve the standard of living and facilitating the industrialization process, which in turn has helped to reduce the high rate of unemployment.

Unfortunately, small and medium-sized 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-sized enterprises in Nigeria. The reasons behind these difficulties include: long loan

processes by banks; high interest rates; and a lack of collateral security. All these tend to act as constraints against the successful performance of small and medium-sized enterprises.

The Concept and Meaning of Small Business Enterprises

Small business enterprises (SBEs) 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. Adoption by a country is defined as being influenced by its economic circumstances.

Furthermore, the relative condition of different firms in different industries, the size of the capital, the number of employees, and the 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 a 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 smaller than those outside that industry. It may be considered small because the size is relatively small, 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. Sage (2005) defines "small scale enterprise" as a business owned and controlled by one or a few people, with the owners' influence in decision-making and a relatively small market share and a relatively low capital requirement.

The central bank of Nigeria (CBN) defined a small-scale enterprise (for commercial and merchant bank loans) as one whose capital investment (including land and working capital) does not exceed \$5 million or whose turnover does not exceed \$25 million annually.

The Nigerian Bank for Commerce and Industry (NBCI) defines a small scale business as one with a total capital of less than N750,000 (excluding land costs but including working capital). The federal ministry of industry guideline to CBN defines a small-scale enterprise as one with capital not exceeding N500, 000 (excluding land but including working capital).

The Nigerian Industry Development Bank (NIDB) defined a small-scale enterprise as an enterprise that has investment and working capital not exceeding those operating in the range of N750, 000 to \$3 million (Zalina, 1993). In 1979, the CNB guideline to money deposit banks stated that "small scale enterprises are those with capital investment not exceeding N500,000, while the merchant bank has to regard small scale enterprises as those with capital investment not exceeding N2 million (excluding cost of land) with a maximum turnover of not more than N5 million."

Small scale enterprises are defined as businesses with total fixed assets (excluding land) plus investment costs of less than ten million dollars by the National Economic Reconstruction Fund (NERFUND, 2001) and the World Bank. According to Dave (1995), small scale enterprises have a clear fundamental issue: the concept of small business is not limited to a one-man roadside store or small retail shops, as some people mistakenly believe. Depending on the type of business and the industry branch mark, some small-scale businesses may involve large sums. According to Qiaka (2000), the services of small scale businesses are primarily for the demand of their immediate local environment, and their proprietors are typically cautious and suspicious, unwilling to reveal information about their business for fear of taxation and unwanted competition. It could be observed that there is no consensus on the appropriate definition of what constitutes a small-scale enterprise in the system, which would have serious implications for any analysis of the group. Also, it can be argued whether those criteria could hold in present-day Nigeria, given the higher operational costs as a result of the continuous depreciation of the national currency and the resultant inflationary impact.

Motives for Establishing a Small Business Enterprise

In discussing the problems of establishing small business enterprises, it is 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:

The Nigerian industrial sector assumes that large-scale industry has not been a growth engine, a source of employment, a beneficiary of tax policies, a financier, a general trader, or a recipient of direct subsidies. So based on these prepositions, SMEs are more efficient, responsible, and viable.

Mentioned below are a few qualities and motives for establishing an SME:

1. SMEs mobilise funds that would have been idle if not put to use;
2. SMES has been recognised as the bedrock for indigenous entrepreneurship;
3. SMES promotes indigenous technological know-how;
4. They are labour-intensive, and they employ more labour per unit of capital than large enterprises;
5. They adapt easily to customers' needs and requirements;
6. They cater to the needs of the poor;
7. They are competitive, but they are protected by protective barriers, requiring less foreign exchange.
8. They are more flexible in their dealings and operations.
9. They improve the efficiency of scarce resources.
10. SMEs facilitate long-term growth and economic development;
11. SMEs have a reasonable potential to acquire technological capabilities and develop new products and processes, and they 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 in which assets and skills can be accumulated, which can lead to better economic benefits for those who acquire the skills and for the households they seek to support.

Additionally, if we look at the motives for establishing an SME, 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, and the experience of owning and operating a firm can help develop individual feelings of responsibility and the ability to participate in governance. SMEs can help institutionalise democracy and increase social stability. They can achieve these through the creation of structures that reflect people's needs and objectives. They can contribute to the development of any particular region, especially if groups of similar businesses can create a sense of collective and effective efficiency.

Contributions of Small Business Enterprises

Reflecting the aforementioned characteristics, small scale business enterprises have emerged, particularly in developing countries such as Nigeria, with roles such as job creation, rural development encouragement, assisting significantly in raising gross domestic product (GDP), developing entrepreneurship, and providing an avenue for self-employment. According to Beacham (1961), small business enterprises play the following significant roles in Nigeria's economy:

1. Small business enterprises contributed greatly to Nigeria's development in terms of employment, growth, development, and marketing of goods and services. The Nigerian government focuses on small and medium-scale industries and entrepreneurs as a means of developing the economy and solving problems (Ayozie, 2006; Latino and Ayozie, 2010).
2. Small business enterprises are very important economic catalysts to conquer poverty and inequality by democratizing, deregulating, and liberalising the integration of the global economy.
3. Small business enterprises helped to transition agriculture-led economies to industrial economies by absorbing productive resources at all levels of the economy and contributing to the

development of a flexible economic system in which small and large firms interconnected (Fida, 2008).

4. 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 amounts to 60% diversification of product, scale of assets, and creation of employment (Kongola, 2010). In Nigeria, small business enterprises create the chances of survival needed to sustain rural dwellers.

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

Economic Sustenance: During an economic recession, the activities of small-scale enterprises help sustain the economy.

Reduction of Rural to Urban Drift: This incidence of urban migration has been reduced since most rural dwellers engage themselves in small business operations.

Utilization of Resources: Resources that would otherwise remain idle and wasted are mobilised and utilised for production by small business operations.

A better standard of living: This comes as a result of the numerous economic activities carried out by small businesses. The increase in consumer demand due to the increase in supply of goods and services brings about a better standard of living.

Challenges of Managing Small Business Enterprises

Due to their peculiar nature, small-scale enterprises are beset with a myriad of special problems that directly or indirectly threaten their survival and growth. Lack of indigenous entrepreneurial initiative for industrial development is a characteristic of most developing 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, small-scale industries do not benefit from such advantages, and as a result, they rely almost entirely on indigenous entrepreneurs. Some of the problems facing small-scale industries come from the owners, while others come from unpredictable environmental forces that are external to the business and include government units, competition, etc. Some other problems can be identified in different functional areas such as manufacturing, marketing, financial, and labour. However, researchers have identified the following issues as major impediments to the establishment of small scale enterprises in Nigeria:

1. **Lack of Start-up Capital: Obtaining early-stage financing is typically the most difficult and expensive.** There are two types of financing at this stage: seed capital and startup capital. Seed capital is a relatively small amount of funding needed to prove a concept and finance a feasibility study. It is the most difficult to obtain because venture capitalists are usually not interested in this level of funding. While start-up capital is involved to determine if commercial sales are feasible, It is also very difficult to obtain. No good business idea can ever surface without funding.
2. **Lack of Land and Good Location:** Before any small-scale industry is established, there is a need to acquire land on which the factory site or warehouse will be built. In urban areas, land is not usually available, and when it is, it will be very expensive, beyond the reach of the small-scale entrepreneur. Other necessary infrastructures will be lacking in rural areas where land is bound to be available at a lower cost. A good location for our businesses is very important for the easy survival of the enterprise, but it is very difficult to get, and where it is available, the cost will not be affordable for any small business operator.
3. **Poor Government Policies: The Nigerian government has been unable to assist entrepreneurs in establishing small scale businesses.** Instead, one obnoxious policy or another was used to make things difficult for young entrepreneurs. The government is only interested in

revenue generation without noticing how it has hindered the establishment of more small businesses in Nigeria. Every new business that is still struggling to survive is expected to pay between N5,000 and N20,000 for business premises and a lot of other payments. The business is also expected to pay almost the same amount to the local government where it is located. All these end up pulling the business down.

4. **Insecurity of Lives and Property: One of the major challenges of establishing a small scale enterprise in Nigeria is security.** Even large-scale businesses that can afford to employ the services of security personnel are not free from this social menace. Any business that deals in highly valued products is not safe. Consequently, many prospective investors opted to keep their money in the bank or use it to buy empty land for resale in the future rather than risk their money by establishing any business at all.
5. **Psychological factors such as lack of self-confidence, lack of creativity, and fear of failure** Another factor that has hampered the establishment of small-scale businesses in Nigeria is **psychological factors.** Although it was never considered a problem, it has infiltrated the lives of many 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 doing nothing for themselves. They also lack the foresight to think ahead of others; there is no creativity in them. Always afraid that the business will fail like others before it. They believe they cannot make a difference, so there is no point in attempting to do so once. They make the money, but the fear of the unknown will not allow them to invest.
6. **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, which constitutes one of the major constraints challenging small and medium enterprises (SMEs) in Nigeria.

The erratic power supply has hindered the business environment. Most businesses in Nigeria have closed or are unable to operate due to irregular and epileptic power supplies. The problem of power is so bad to the extent that the large industries are now relocating to Ghana and other neighbouring countries, while the majority of the small and medium-sized businesses have since gone into extinction. The implication of this has led to a reduction in production activities.

Fuel costs for generators, machines, and equipment have resulted in reductions in employee numbers and operating costs for small and medium-sized businesses. This has eventually led to the folding up of most of these enterprises in Nigeria since they cannot compete in the market anymore.

1. **Internal Characteristics and Problems of Small and Medium Enterprises (SMEs):** Most small and medium-scale enterprises in Nigeria are battling with serious internal problems. These problems range from management practises 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, a transparent organisational setup, a succession plan, entrepreneurial skills, a strategic business plan, etc. The death of such skills in most small and medium scale enterprises is due to an inadequate educational, professional, and technical background on the part of the owners and employees of small and medium enterprises (SMEs), which has led to further crises.
2. **Lack of Easy Access to Funding and Credit:** Without easy access to funding, which can be traced to the reluctance of banks to extend credit to them owing, among others, to poor and inadequate documentation of business proposals, a lack of appropriate and adequate collateral, the high cost of administration and management of small loans, as well as a high interest rate, Also, the absence of long-term finance to fund capital assets and equipment under project finance for small business enterprises
3. Most small businesses in Nigeria performed poorly due to a lack of appropriate entrepreneurial training. Low levels of education and training lead to poor managerial capacity and inadequate entrepreneurial knowledge and skills on the part of small business enterprise operators.

4. Weak demand for products and dwindling consumer purchasing power of goods are arising from the death of marketing strategy due to inadequate educational backgrounds on the part of small business enterprise promoters and their staff. The inability to penetrate and compete favourably in markets may result from a lack of adoption of an appropriate marketing strategy or poor quality products.

Solution to the Challenges of Managing Small Business Enterprises

1. To meet the financial challenges of financing small and medium enterprises, it is necessary to ensure that there is sufficient working capital to meet the objectives of the business. The strategy for achieving this would be the introduction of check and balances, controlling access to improve financial conditions, and deliberate reduction of overhead expenses (Oshagbemi, 1983).
2. Technology has to do with methods of systematic application of knowledge to practicalize tasks in industry in order to meet technological challenges.
3. To meet marketing challenges by selling the company's products in such quantities as would result in an agreed turnover, that would require decisions on product brand, product, mix pricing, advertisement, and the distribution channel to be used.
4. To meet management challenges, a lot of sectors have been seen as hindering the growth rate and development of organizations. Small and medium-sized enterprises also suffer some challenges in the area of management.

The strategy that could be applied is the following:

1. **Manpower Planning or Human Resources:** Planning the recruitment based on qualifications and experience gives room for job training if and when the need arises.
2. **Staff Motivation: This should be encouraged by factors such as a competitive salary structure and a pleasant working environment and working conditions.**
3. **Government:** The government is a great contributor to the survival of small and medium-sized enterprises. Through government policies, survival could be promoted or discouraged. The government can extend loan facilities to probe the activities of small businesses. It can also provide tax breaks as an inducement; it can facilitate the purchase of primary products at a reasonable price in real time.
4. **Threat of bankruptcy:** Many of them find it difficult to break even. They cannot pay business debts and stand the task of winding up.

Reengineering Strategies adopted in Managing Small Business Enterprises

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

1. "**Growth Strategies,**" which refers to a strategic plan formulated and implemented to expand a firm's performance (Andrew, 2001), show that the pure competition model does not present a viable tool to assess a business's performance. One of the most respected models to assist with this analysis is Porter's Five Forces Model, which attempts to realistically assess potential levels 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 analysed using this model are the industry suppliers, buyers, potential new entrants, substitute products, and competition among existing firms.

2. **Marketing Strategy:** Porter (2004) noted that marketing is most effective when it is an integral component of business strategy. Defining how the organisation aspires to engage customers, prospects, and the competition in the market place for success

According to Salazar, marketing is as 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 an economic advantage over those who don't.

3. **Pricing Strategy: Pricing strategy is the process by which large and small businesses compete in the market by rating pricing in order to win customers.** This is an essential component of marketing. SME's compete by offering a favourable price to their customers in order to retain their business as well as attract other potential customers through pricing-based networking. According to Bauer and Colgon (2001), lower prices lead to higher demand and, therefore, a large market. Most managers believe that this is not a good growth strategy because customers may believe that a low-cost product or service is standard.
4. **Innovation Strategies:** According to David (1989), this has to do with providing major sources of new ideas and the invention of better economic goods and services to constantly grow better.
5. **Market Development Strategies:** Managers of small-scale enterprises should develop new markets for their current product (Benback, 1992).
6. **Diversification Strategies:** The opportunity to develop products for new markets is viewed as identifying opportunities to build or acquire businesses that are related to the 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 is required and to determine the relationship between input and output qualities so as to maintain quantity and quality standards.
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, identifying the competitor, and also determining their capabilities to make sure of the market before investment in order to remain relevant.

Conclusion

Business strategy is the process of formulating and implementing comprehensive plans that will help business organisations fulfil their missions and achieve their strategic goals. that the aggregate strategies will help business enterprises, especially SMEs, 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 infrastructure is put in place, these will help reduce the problems associated with managing small business enterprises.

Recommendations

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

1. The government should assist 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 workshops for operators of SMEs.
2. Operators of small business enterprises should be trained to acquire entrepreneurial skills in line with the nature of their businesses to enable them to become acquainted with appropriate managerial skills so as to be able to manage their businesses.
3. For both employers and employees to effectively demonstrate their skills, a conducive business environment should be provided.

4. The current teaching of entrepreneurial education and other business education should be vigorously pursued in order to instil the spirit of business enterprises in young graduates 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 order to identify and implement ideas that will make the business thrive.

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