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Contributions of SME Owners in Achieving Business Growth: A Case Study of Some SMEs in Abuja, Nigeria

Olujide Sunday Ojedele

Officer, Department of Accounts,
Federal Airports Authority of Nigeria, Abuja, Nigeria

Abstract:

Small and Medium Enterprises (SMEs) play a significant role in most economies around the world most especially in developing countries as they serve as major contributors to job creation and economic development. They contribute majorly in GDP which makes them top priorities by governments around the world. According to World Bank estimates, SMEs represent not less than 50% of employment worldwide which is about 90% of businesses. It is highly important to have good SMEs managers because of the roles SMEs play in the economy so that businesses can be managed in an effective and efficient manner in order to attain growth. This study looks at impacts being played by the SME owners in achieving business growth using Abuja, Nigeria as case study. The findings from this study suggest that Nigeria government should invest more in SMEs in order to boost the economy.

Keywords:

Small and Medium Enterprises (SMEs): Businesses owned by individuals which fall below a certain level depending on the country, Business Growth: Business growth can be termed as a state or situation whereby organization's goal has been attained

1. Introduction

Small and Medium Enterprises (SMEs) are businesses owned by individuals which fall below a certain level depending on the country. In Nigeria, the Small and Medium Industries and Equity Investment Scheme (SMIEIS) defines SME as any enterprise with a maximum asset base of N500,000,000 million excluding land and working capital and with the number of staff employed not less than 10 or more than 300 (CBN, 2005 Statistical Bulletin: Central Bank of Nigeria, Abuja, Nigeria). Individuals have ventured into SME and the number is on the increase for so many reasons which varies from need to be independent, creating more jobs, decreasing wages and need for more income to meet increasing cost of living and moreover, many jobs have discontinued with no hope of coming back in the future and obligations to secure one's financial future.

According to the last publications by National Bureau of Statistics, SMEs contributes about 86.3% of national workforce in Nigeria, hence the need for strategic approach to business management in order to ascertain growth and continuous existence in the market. Despite having the higher contributions to GDP compared to large entities, SMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds in form of cash from family and friends for Capital and run their enterprises. Despite lack of access to credit facility and some other challenges, a lot of SMEs have achieved rapid growth in their businesses which implies increase in revenue as a result of increase in productions and sales. The increment in sales volume is expected to bring about increase in the profit for the organization and this will increase the capacity for expansion.

It is no doubt that SME owners need to play important role in achieving business growth. This endless effort requires growth strategies for sustainability. The unending efforts put in by SME owners have kept many businesses in market while some have folded up for different challenges in the course of the business. Climbing the ladder by SMEs owners is not an easy task and requires a lot of strategy in order to break-even. Mankins & Steele (2005) state clearly that growth strategy is an ongoing process that evaluates and controls the business and the industry in which the company is involved, assesses its competitors and set goals and strategies to meet all existing and potential competitors, and then reassess each strategy annually or quarterly (regularly) to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changing circumstances. The contributions put in by SMEs owners are mainly the reasons for achieving business growth.

2. Theoretical Framework

This section attempts to introduce the theoretical background of Finance Sourcing, Risk Management, Strategic Management and Business Growth and defining key concepts. First, I provide a review of the literature on Finance Sourcing, Risk Management, and Strategic Management. Drawing on the above, hypotheses were developed regarding their effects on Business Growth in Abuja, Nigeria.

3. Literature Review

Small business owners are entrepreneurs in the categories described previously and will thrive when they begin their businesses with sufficient funds, good training, adequate staff, excellent track records, and real business experience (Lussier, Bandara, & Marom, 2016). Contributions by SME owners imply the efforts being put in place in the course of running the daily activities of the business which varies from planning, how to keep customer satisfied, quick response to challenges, creating new ideas and managing costs. Most small businesses experience similar problems at the same stages of development Asomaning, (2015), hence the need for business owners to contribute their own quota in achieving growth.

3.1. Finance Sourcing

One of the main concerns of SME is how to source for funds for business start-up and expansion. Osei-Assibey (2012) concluded the majority of small-business failures relate to the lack of capital. SMEs have found it more difficult accessing credit than Large Business entities because the former is riskier than the later. Most SMEs end up borrowing money from family and friends in addition to their own capital or savings. Finance sourcing for SME can be classified into:

3.1.1. Own Savings

One of the easiest ways of raising capital for one business is personal savings. An entrepreneur can easily withdraw from his/her accounts and as well as selling off assets in order to raise funds for commencement of business or for expansion.

3.1.2. Family and Friends

Another way of raising funds for business is through the help of relatives and friends either by contributions, gifts, borrowing or taking up equity stake in the company.

3.1.3. Banks and Other Financial Institutions

Banks and other financial institutions play a major role in lending money to SMEs. Most banks and other financial institutions have the requirements that must be met by any SME that wants to get a loan from them. Also, the Central Banks in many countries have different schemes of funding SMEs. In Nigeria the Central Bank of Nigeria has Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), for promoting access to credit by SMEs in Nigeria which shall be wholly financed by the Central Bank of Nigeria (CBN). The objectives of the SMECGS are to:

- Provide guarantee for credit from banks to SMEs and manufacturers.
- Increase the access of promoters of SMEs and manufacturers to credit.
- Set the pace for industrialization of the Nigerian economy.

3.1.4. Trade Credit

There are suppliers that are willing to sell on credit and collect the proceeds back ranging from one to six months depending on the type of business and so many people that do not have access to above sources have employed this avenue as it is an inexpensive method of finance for small business most especially in developing countries and a lot have grown over the years using this avenue. It is a good method to meet short-term funding.

3.2. Business Risk Management

Business risk as defined by Will Kenton is the exposure a company or organization has to factor(s) that will lower its profits or lead it to fail. In simple terms, the term risk refers to uncertainty of outcome. Chapman (2004). Risk management has been defined as the systematic application of management policies, procedures and practices to the tasks of communicating, consulting, establishing the context, identifying, analyzing, evaluating, treating, monitoring and reviewing risk. ISO/IEC Guide 73, (2002). Anything that threatens a company's ability to achieve its financial goals is considered a business risk. Business risk is any exposure a company or organization has to factor(s) that may lower its profits or cause it to go bankrupt. The sources of business risk are varied but can range from changes in consumer taste and demand, the state of the overall economy, and government rules and regulations. While companies may not be able to completely avoid business risk, they can take steps to mitigate its impact, including the development of a strategic risk plan. The business future is not known and entrepreneurs have to make decisions based on uncertainties and therefore, necessary steps are taken by entrepreneurs to guide against losses. Some business owners do insurance cover for their businesses which is always very high while some business owners that cannot afford insurance cover end up taking a higher risk which should be reasonable.

Some factors that are said to have influenced business risk includes price of a product/service, demand, economic situation and government policies. Example of a business risk is decision to increase the price of a product/service as a result of increment in cost of production and business owner is not certain if the increment will make the business loose her customers to competitors.

3.3. Strategic Management

Strategic management is defined as the process of evaluation, planning, and implementation designed to maintain or improve competitive advantage Tanya (2015). Strategy is the most important determinant of firm growth (Weinzimmer, 2000). They are ways or methods of carrying out businesses in order to gain competitive advantage, dominate the market and achieve the organizations' goal. It involves examining the internal structure and the feasibility

study of the external environment. An entrepreneur is expected to explore below management strategies as bases for business growth.

3.3.1. Adequate Planning

Planning can be defined as the process of taking some particular actions in order to achieve a desired goal. Strategic planning is widely considered to be one of the factors that contribute to small firm growth Kraus (2008). Planning is the first step an entrepreneur would take before business start-up. The entrepreneur needs to know what type of business to venture into, how it's being done, the short term and long-term goals of the business. There is tendency that if an entrepreneur does not take adequate steps or analyses of the business to venture into, the business might likely fail, it is therefore a necessary requirement for business owners to devote their time, energy and resources in this area.

3.3.2. Learning from Successful Businesses

Some Authors have posited that business failures stem from a lack of experience of the business owner in addressing competition, economic factors, crises, shifts in priorities, and varying expectations Miettinen (2013). Fahed-Sreih (2012) stressed that a lack of leadership skills contributes to small-business owners' failures in producing efficient organizations. Knowledge is never a waste and should never be underrated by SME owners. Firstly, it is important to have basic knowledge on whatever business one wants to venture into and not just concentrating on the expected income as I have personally made this mistake in this past. Learning from successful businesses will bring enlightenment on what to be done in achieving business goal. In order to avoid unnecessary setback and hurdles that might come along the line, it is necessary to learn from successful businesses.

3.3.3. Excellent Customer Service

Customer service can be defined as the totality of what an organization does to add value to its products and services from the perspective of customers Machando (2013). One of the management strategies being employed by business owners in achieving growth is by maintaining excellent customer service delivery as this would help to keep one's clients. It must be kept in mind that it is not the actual service that is of importance, but rather the perception that a customer has of the service Brink (2008). It is important to always keep customers satisfied and resolve their complaints within a short time as this will encourage them to come back and also refer one's business to others and in that way, sales will increase which in turn leads to business growth.

3.3.4. Extending Business Hours

This implies making out extra time for business outside the normal business hours. It could be closing late, weekend operations and having online platform that is operational 24hours that customers can access and make order, this is common among businesses with online stores and many SMEs in Abuja, Nigeria have started exploring this platform.

3.3.4.1. Advertisements

Advertisement has a positive impact on businesses which is highly essential for business expansion. It gives public awareness about a particular product/service through jingles, newspapers, sharing of flyers, social media, etc... Advertisement enables products/services reach a larger market and for business growth to be achieved, Advertisement must be considered a necessity.

3.3.5. Maintaining Product/Service Standards, Branding and Franchising

Customer satisfaction is the sense of contentment that consumers experience when comparing their introductory expectations with the actual quality of the acquired product Krivobokova, (2009). Studies have shown that no financial capable customer would prefer inferior goods or services to a highly qualitative product. It is therefore important for SMEs to have a standard product and maintain it in order not to lose their customers to competitors. Branding and franchising also help business to grow as a good brand will attract customers and franchising will also lead to expansion and more revenue in form of sales and licensing fee.

3.3.6. Financial Discipline

Financial Discipline is about getting one's numbers right, it is about earning more than planned, spending less than necessary, saving as much as possible and investing wisely Raman, (2018). A wasteful business owner is on the verge of being insolvent and may lead the company to bankruptcy if care is not taken. Anyone who cannot be financially disciplined should never bother to venture into any business as it is just a waste of time. SME owners are endeavored to be financially disciplined and profits earned should always be channeled back into the business in order to attain growth.

3.3.7. Sales Discounts and other Incentives

Sales promotion techniques are instruments that seek to increase sales of products and brands, usually in a short time Wierenga (2010) Sales are likely to be on the increase during discounts period. There are some customers who patiently wait for this period as they would save more or buy enough items. It is important for SMEs to introduce this from time to time so as to attract customers to their products and increase revenue.

Strategic management is highly important and necessary for business performance and dominance. It is highly important to set the right direction and think towards taking advantage of market opportunities in order to increase sales.

SMEs are said to be easy to develop just with little investment and skills but, when they reach their stage of growth, a lot of it fails due to bad management, lack of finance, inefficient human resource and lack of marketing skills which all are key to business growth and expansion.

3.4. Business Growth

Business growth is a long-time span which is a gradual process and in turn creates more job opportunities thereby contributing to the economics' growth. According to Penrose (2006), growth is the product of an internal process in the development of an enterprise and an increase in quality and/or expansion. Growth is defined as a change in size during a determined time span (Dobbs, 2007). It first results in a growth in sales and consequently in investments in additional production factors to adapt itself to new demands (Janssen, 2009c, p. 23). Achtenhagen et al. (2010) researched entrepreneurs' ideas on growth and listed the following: increase in sales, increase in the number of employees, increase in profit, increase in assets, increase in the firm's value and internal development.

SME growth has been identified as a key driver to the creation of wealth and employment and economic development in every country around the world Davidsson (2010). Also, growth is an important measure of a business success. Business growth can be termed as a state or situation whereby organization's goal has been attained. Dobbs further stresses that, growth is closely related to the creation of jobs and that rapidly growing SMEs create employment opportunities in society which is vital for the success of the economy. However, Gundry (2001) draw attention to the fact that SMEs do not grow and that entrepreneurs vary substantially in their intentions to grow their business.

3.5. Significance of the Study

This study looks at the contributions made by business owners in achieving growth and the challenges encountered which will help entrepreneurs on how to go about business risk that will be encountered in trying to achieve growth. It will help other researchers in their research work. It will also help the government in making policies that will assist SME owners because of the major role they play in the economy.

3.6. Objectives of the Study

- To know the contributions being made by SME owners to achieve business growth.
- To know the challenges in trying to achieve business growth.
- To ascertain if SME owners can overcome challenges and achieve growth in their businesses.

3.7. Limitations of the Study

The questionnaire will only be given to 40 SME owners which is relatively small compared to the total number of SMEs in Abuja, Nigeria and it is literally impossible to reach out to all of them and not having enough research time is also a limitation. Another limitation of the study is that it focusses on Abuja alone rather than the entire Country as other areas might not be facing the same challenges.

4. Methodology

This study adopts qualitative and quantitative approach methods of research design to ascertain the contributions of SME owners in achieving business growth. The population consists of 40 SMEs in different sectors of the economy. A standardized questionnaire was used to collect data. It contains two sections; the first section comprises items on information of subject's socio-demographic which includes gender, age, and years of business experience. The second section focuses on items that measure the contribution of SME owners in achieving business growth. It was based on Likert scale close-ended five points continuum.

The total number of questionnaires distributed was 40 and all were fully completed and returned. The use of statistical distributions such as tables, figures, charts and percentages showing frequencies were adopted in the study.

Sex	Frequency	Percentage
Male	29	72.5
Female	11	27.5
Total	40	100
Age:		
18-30	7	17.5
31-50	28	70
Above 50	5	12.5
Total	40	100
Years in Business		
Below 5	8	20
5-10	19	47.5
10-20	9	22.5
Above 20	4	10
Total	40	100

Table 1: Demographic Records of Participants

5. Data Analysis and Finding

Figure 1: Adequate Planning Contributes to Business Growth

The survey shows that adequate planning is highly needed in order to achieve business growth as 87.5% strongly agreed with the scenario while 12.5% also agreed as well. According to the responses from the interview, all the SME owners said planning is a vital role needed in achieving business growth as it is a process of strategizing on how the business goals will be achieved, it involves laying down step by step process in the business operations. They agreed that if there was no planning, business growth wouldn't be possible.

Figure 2: Availability of Funds Plays a Major Role in Business Growth

Above table shows that all the SME owners that took part in the survey believe that business growth cannot be achieved without availability of funds. In the interview granted, the business owners believe with adequate capital, the business can kick start without staggering and can achieve expansion easily with adequate funding and 9 out of the 10 SME owners that were interviewed lamented on the difficulty in accessing funds for capital and expansion and the ones available to access in form of loan has a high interest rate and ended up getting finance supports from family and friends.

Figure 3: Learning from Successful Businesses Helps in Achieving Business Growth

The table above shows that 26 SME owners out of 40 which constitute 65% believe that learning from successful businesses is a key factor in achieving business growth as well as 10 SME owners who agreed with it while 4 business owners which constitutes 10% were uncertain about the scenario, the interview granted to the SME owners suggested that there is need to learn from other businesses as this is helpful in order to avoid costly mistakes that can ruin the business and unnecessary business loss.

Figure 4: Excellent Customer Service Delivery Is a Major Factor in Retaining Customers and Achieving Business Growth

Above scenario shows that 30 out of the total 40 business owners Strongly Agree that Excellent Customer Service is much needed in achieving business growth while the remaining 10 also agree to the fact that excellent customer service is key to expansion. The Business owners in the interview believe that it is highly important to have excellent customer service delivery in order not to lose clients to competitors as first impression also matters a lot and, in most cases, give a lasting impression about the enterprise. Some SMEs owner interviewed always make request for feedback on services enjoyed and any issues that might have happened in the course of carrying out the transaction and make sure their complaints are channeled accordingly and followed by immediate resolution. They strongly believe that if excellence customer service can be achieved, there is high tendency of achieving business growth.

Figure 5: Extended Open Business Hours to Customers Assists in More Sales and Helps the Business to Grow

Above table shows that majority most of SME owners do not believe that extension of business hours will lead to business growth with 22 disagreeing to the scenario which constitutes 55% of the SME owners while 8 of them are neutral to the scenario and 10 of them still believe it could lead to increase in sales and grow the business. Interview granted reveals that Extra opening hours will not necessarily increase sales but lead to increase in cost of operations in terms of lightning and extra employee cost in form of overtime and believe that necessary sales can be achieved without extending business open hours. They believe that customer is not likely to buy more than what they need.

Figure 6: Advertisements Is a Way of Getting More Sales Which in Turn Helps to Achieve Business Growth

Above table shows all the SME owners that participated in the survey believe that Advertisement will increase sales and in return business growth will be achieved as all of them strongly agreed with the scenario. In the interview with the SME owners, growth in businesses can be easily achieved if there is publicity for the products or services being rendered as this will reach out to a large number of people which will encourage them to patronize their businesses.

Figure 7: Maintaining Product/Service Standard, Branding and Franchising Helps to Achieve Business Growth

The scenario above shows that 60% of the respondents believe maintaining product standard, branding and franchising as ways of achieving growth and the remaining also agreed to the scenario. While cost of production keeps increasing, maintaining the quality of products and services has helped a lot of them to keep their customers which they feel is better than reducing quality. They would rather increase the price of their products and maintain same standard rather than reducing the quality and retaining same price or reducing the product price. Having a distinct design for products also attracts customers as they want to know about such product and franchising helps to strengthen the brand's identity and it helps the business to make more money from license fee and also helps the products to reach a larger market. The challenge in this scenario is that it might be hard to see a trusted person to give out the license to that will not compromise the product's standard.

Figure 8: Financial Discipline Helps to Manage Waste Effectively Which Makes the Business to Achieve Growth

Above table shows that 32 SME owners strongly agreed to being disciplined in terms of finances and taking adequate measures to avoid waste as this will help to grow the business. In the interview granted, the SME owners pointed to the fact that Profits made should be channeled back into the business in order to achieve expansion. Owners are of the opinion that if an entrepreneur is a lavish spender, it will definitely affect the business as funds meant for running the organization may be mismanaged and diverted for personal use.

Figure 9: Sales Discount and Other Incentives Help to Attract More Customers and Increase Sales Which Grows the Business

Above table indicates that SME owners believe that discounting sales price and other incentives would bring traffic to sales as 95 % of those that took part in the survey strongly agreed to the scenario while the remaining 5% also agreed. All the SME owners that were interviewed experienced increment in sales during promo sales and they have made it as one of their main marketing strategies of increasing sales and this has helped a lot in increasing sales revenue and attracting more customers.

6. Conclusion

This study has shown what SME owners do in contributing immensely to business growth and strategies taken by them in achieving success. It shows how important they are in the economy and sourcing for finance as being the major challenge encountered by them. SME owners with availability of funds grow their businesses faster than the ones with non-availability and determination and discipline helps a long way in achieving business growth. Small and Medium Enterprises play a major role in the economy as they contribute majorly to the GDP of a nation, hence there is need to have efficient managers that can handle the businesses properly thereby making them contribute effectively and efficiently in daily business operations. It starts from sourcing for funds for capital and expansion and how to be strategic in managing the business in order to attract customers and achieve high sales which in return makes the business to grow, SME owners contribute tremendously in achieving business growth as they are the main drivers. This study has taken a look at the major contributions made by SME owners in achieving business growth as their efforts cannot be overlooked because to start a business venture is very easy but staying-in is the hardest task to be done as it requires passion, determination and discipline.

7. Recommendations

The study recommends that:

- Government should always make funds available in form of grants and loans to SMEs as they contribute immensely to the growth of the economy.
- SME owners must be strategic in business operations in order to gain competitive advantage.
- Business owners should always be determined to succeed and cultivate discipline habits.
- SME owners must possess excellent customer service as it serves as one of the ways of retaining clients.
- SME owners should never compromise the standard of their products/services and should endeavour to advertise them.

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