Small and Medium Scale Enterprises Development and Management:

Reflections

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Abstract
The pertinence of Small and Medium Scale Enterprises in the growth and development of Nigeria’s economy can never be overemphasized. Worldwide and enterprise-wide, the prime movers of Small and Medium Scale Enterprises have discovered, innovated or created new niche services, processes and products through creative paradigm shift and changing existing or conventional products into a new one. Small and Medium Scale Enterprises are the necessary lubricant that oils the wheel of growth and development. Thus, government over the years have formulated notable gamut of policies targeted at enhancing and stimulating Small and Medium Scale Enterprises development Nigeria-wide.

Keywords: Small and Medium Scale Enterprises, Management, Development, Challenges, Prospects.

Introduction
Small and Medium enterprises account for 19.6 million business in Nigeria and employment in the sector is put at 39million, contributing about 48% to the GDP. (Oluwasanya A.T, 2013). This is as a result of an increase in the awareness and importance in engaging in entrepreneurial activities as a means of promoting small business enterprises. Currently, the rise in the importance of rural areas for business activity is extraordinary. Rural areas are now becoming a reality and competition is more dynamic. Large scale businesses are increasingly adopting new strategies and adjusting structures in order to remain competitive and relevant in
the market. The economic situation of the country is compelling many youth and individuals to seek more creative ways to earn money. Majority of them believe that starting and running a business—or just learning the skills to do so—can give them an advantage in life. It is becoming clear that the private and public sector are not able to absorb all the employable manpower in the labour market. As a result of this, the government has decided to commit its effort to cultivating an entrepreneurial approach to provide employment opportunities (Onyima, 2011). The process and approach involved in inculcating the spirit behind entrepreneurship enhances someone’s life because there are certain experiences that cannot easily be explainable or communicated (Peterson, 2004). The dynamic role of the small business enterprises as an engine for industrial growth and development of any nation cannot be overemphasized (Solze, 2000; cited in Omidiji, 2011), which support the study conducted in Nigeria by the Federal office of Statistics that SMEs constitutes over 97% of all businesses in Nigeria employing less than 100 employees. (Ojukwu, 2007). They operate in many of the same areas as large businesses, and are the mainstay of an economy. A large number of them are started by entrepreneurs who are willing to take the risks to pursue innovation and business opportunities in an uncertain environment. They include sole proprietorships, partnerships, franchises, the activities of individual professionals and various part-time operators as well as small corporations (Schmerhorn, 1996 cited in Okafor and Onochie 2010). The U.S. Small Business Administration see any small business as that which is independently owned and operated and does not dominate the market and most times do not grow to become a medium or large enterprise, on the other hand an entrepreneurial venture seeks to grow.

It is base on this premise that Ojo .O. (2009), argued that one of the responses to the challenges of development in developing countries particularly, in Nigeria, is the encouragement of entrepreneurial development scheme. Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence. Quality and adequate infrastructural provision has remained a night-mare, the real sector among others have witnessed downward performance while unemployment rate is on the increase. Most of the poor and unemployed Nigerians in order to better their lots have resorted to the establishment of their own businesses. Consequently, Entrepreneurship is fast becoming a household name in Nigeria.
This is as a result of the fact that the so called white collar jobs that people clamour for are no longer there. Even, the touted sectors (Banks and companies) known to be the largest employer of labour are on the down-turn following the consolidation crisis and fraudulent practices of the high and mighty in the banking sector. The companies of course are folding up as a result of erratic power supply, insecurity and persistent increase in interest rate which has lead to high cost of production and undermines profit making potentials of companies operating in Nigeria. the need for Small and Medium Scale Enterprises (SMEs) became a reality as a means of ensuring self independent, employment creation, import substitution, effective and efficient utilization of local raw materials and contribution to the economic development of our dear nation (Nigeria). All the aforestated benefits of Small and Medium Scale Enterprises cannot be achieved without the direct intervention of the government and financial institutions. In particular, the Federal Government has also realized the significant importance of small and medium scale businesses in its current Poverty Eradicaation Programme (PEP). This could be seen from the entrepreneurship development aspect of SMEs that bears direct relevance to the empowerment of the population for sustainable development. The successive governments in Nigeria, having taken access to finance as the most important and critical factor for SME promotion, have experimented with various SME financing schemes and programmes at both the federal and state government levels, including:

- CBN credit guidelines, which required banks to allocate prescribed minimum percentage of credit at concessionary interest rates to the preferred sectors that include SMEs;
- CBN rural banking programmes over the years;
- Specialized loan schemes, including SME 1 and SME 2 and others like NERFUND that were sponsored by World Bank and ADB, and administered by banks and supervised by the CBN;
- Establishment of special development finance institutions like NIDB and NBCI, which were to provide long term loans to the real sector, including SMEs at concessionary interest rates.
- Provision of fiscal incentive packages in the form of tax relief to all SMEs.
Conceptual Framework

The U.S. Small Business Administration see any small business as that which is independently owned and operated and does not dominate the market and most times do not grow to become a medium or large enterprise, on the other hand an entrepreneurial venture seeks to grow. The economic growth of any country depends, to a certain degree, on the ability of the country to maximise their growth potential. One of the biggest contributors for the business community of any nation, to the nation’s economic development, is the small and medium sized enterprise (SME) sector. Entrepreneurship, on the other hand, is the pursuit of the generation of value through the creation of economic activity identifying new products, processes or markets. (OECD, 2009). Entrepreneurship and Small Business Development are both processes, entrepreneurship involves that start-up process and small business development and management focuses on running the business over a long period of time. The process of a small business is in three phases, growth, maturity and harvest. Entrepreneurial orientation has been found to be a key determinant of small business growth, (Thurik and Wennekers 2004), argue that attitudes rather than sector or location determine growth and success in small businesses. The concept of management is an old as the human race itself. The concept of “family” itself required that life be organized and resources of food be apportioned in a manner so as to minimize their usefulness. Taking proper steps to safeguard the hunting and whom to go with animals, planning on where to go hunting and whom to go with etc, are all subtle ingredients of management. Even the recorded history shows the application of some management techniques, which are current even today, as far back as 5000 B.C, when the ancient Sumerians used written records in assisting governmental operations. The Egyptian pyramids built as early as 3000 B.C, required the organized efforts of over 100,000 people. It would be natural to assume that all functions of modern management i.e, planning, organising, directing, staffing and controlling etc, played a heavy and co-ordinated role in the construction of these monuments. Similarly, the early civilization of India bears witness to organized living. Management, then is not only an essential element of organized society, but also an integral part of life. The role of management has always been taken for granted and underemphasized. The importance of management was
highlighted by the late President of the United States, John F. Kennedy, when he said, “The role of management in our society is critical in human progress.

Technological advancements, level of production, capital investment and other tangible elements have always been emphasized as contributory factors towards economic growth, rather than managerial skills. The traditional definition in Germany limits Small and Medium Scale Enterprises to two hundred and fifty (250) employees while in Belgium, it is limited to one hundred (100) employees. Recently, the European Union has standardized the concept by categorizing enterprises with less than ten (10) employees as ‘micro’, those with fewer than fifty (50) employees as ‘Small’ and those with fewer than two hundred and fifty (250) employees as “medium”. In the United States of America, any business with fewer than one hundred (100) employees is classified as “small” while medium scale business refers to a business with fewer than five hundred (500) employees. In India, Micro and Small Enterprises play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector account for about 39% of the manufacturing output and about 33% of the total export of the country. Also in South Africa, the term Small, Medium and Micro Enterprises (SMMEs) is usually used, while in Nigeria, the term Small and Medium Scale Enterprises (SMEs) is generally used. It can be deduced that Small and Medium Scale Enterprises are enterprises that have the capacity to employ at most five hundred (500) employees at a time and it has been proved to be the backbone of every economy. The brain behind every successful Small and Medium Scale Enterprise is entrepreneurship which in the words of Olagunju Y. (2004) is an undertaking in which one is involved in the task of creating and managing an enterprise for a purpose. Thus, being able to find out the factors which improved the promotion and development of SMEs so that they are successful and grow into conglomerates is of considerable concern to the entrepreneurs and the Nigerian government. Small businesses are adaptable and flexible and they modify their products or services to meet individuals needs of the customer or consumer.

**Literature Review**

Darren and Conrad (2009) defined entrepreneurship and small business management as a process where an individual discovers, evaluate and exploit opportunities independently.
Stevenson, Roberts and Grousbeck (1989) posits that entrepreneurship and small business management as a process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they currently control. Also, Shane and venkataraman (2000) defines entrepreneurship and small business management as an individual discovery and exploitation of opportunities. They both defined opportunity as when goods can be sold at a profit. Ogundele (2007) sees entrepreneurship and small business management as a process that involves recognising opportunities in the environment, mobilising resources to take advantage of such opportunities ion providing improved goods and services to the ultimate consumers and making profit as a reward for risk taking. (Ojukwu, 2007). They operate in many of the same areas as large businesses, and are the main stay of an economy. A large number of them are started by entrepreneurs who are willing to take the risks to pursue innovation and business opportunities in an uncertain environment. They include sole proprietorships, partnerships, franchises, the activities of individual professionals and various part-time operators as well as small corporations (Schermehorn, 1996 cited in Okafor and Onochie 2010)... According to Masha (1986) the importance of small scale enterprises (Small Business) in the promotion of economic development has always been at the forefront of development strategies resulting from the fact that small business enterprises have big potential to bring about social and economic development. Small businesses also contribute significantly to employment generation, income generation and catalysing development in urban and rural areas (Olutunla, 2001). In Nigeria, the SMEs account for about 70% of industrial employment (Adebusuyi, 2000). Small and Medium Scale Businesses (SMEs) is predominantly used in the United States of America. Small and medium scale enterprises (SMEs) turns knowledge about products, processes and markets into economic activity and new and small firms contribute significantly to the generation of innovations in the economy. In Nigeria, the importance of small business enterprises cannot be overemphasized. Their wide-range value added activities and their employment creating activity, they are the engine for Nigeria’s economic growth and development.
Oluwasanya A.T (2012) opined that, small and medium businesses are the necessary lubricant that oils the wheel of growth and the bedrock of the business development of any country.

**Challenges of Small Business Management**

The challenges of small and medium scale businesses are many and various among which are:

1. **Knowledge of your Business**
2. **Knowledge of business success imperatives.**
3. **Identifying business opportunities.**
4. **Prudent financial management.**
5. **Effective time management.**
6. **Shared Leadership with employee motivation and empathic human capital management.**
7. **Providing Quality Customer-driven Services/products that exceeds customer’s expectations.**
8. **Knowledge of the environment**
9. **Knowledge of the Competitors**
10. **Efficient and effective risk management**
11. **Legal Considerations, Rules and Regulations Relating to New Business Formation**

   a. **Knowledge of your business**
      - Knowledge of your mission, vision and objectives.
      - Knowledge of your products
      - Knowledge of business success imperatives.
      - Setting proper objectives that they can pursue and achieve.

Since a business is by definition motivated primarily by the search for profits, these goals are usually expressed in terms of sales volume, degree of market penetration/share, profit per unit of sales, optimum capacity utilisation etc. The attainment of business goals is therefore a fundamental responsibility of all the business people. It is difficult for a business organisation to
organise and operate without clear goals. The goals must be specific, measurable, achievable, related and time bound. (SMART).

b. Knowledge of Business Success Imperatives

Business idea is the process through which a business owner gathered as much as possible information for him to make his business unique. It is also the act of starting a business that the entrepreneur must consider. The person or an individual who want to engage in a business must be able to ask himself the following questions:

- Do I go into manufacturing or industry or provide a service.
- Who are my customers?
- Do I have the skill to start it?
- Where do I get the capital to start the business?
- Where do I locate my business?

c. Identifying Business Opportunities

Identifying business opportunities involves more than just problem solving in a typical management position. An entrepreneur or small business owner must find, evaluate and develop an opportunity by overcoming negative forces and limiting belief. It involves finding, evaluating and developing opportunities by overcoming the forces that resists the creation of something new. An entrepreneur must therefore have an enterprising behaviour or venture-some mentality and consistent possibility thinking which leads to innovative actions. Business opportunity is an untapped positive current that would if tapped engender niche in the market place. Entrepreneurship and entrepreneurs survive and thrives on business opportunities. The availability of business opportunities facilitates and stimulates Entrepreneurship development.

d. Prudent Financial Management.

All the transactions of a business are recorded using bookkeeping and accounting system. Bookkeeping and maintaining proper records is a critical success imperative of an entrepreneur. The book keepers must keep records of all the activities like purchase, sales, and receipts for
future use. The essence of book keeping is the entering of the details of transaction in separate
accounts. Each account is, in effect, a story about sortie relevant subject i.e. an asset, a liability,
an expense, a revenue, etc. Bookkeeping is about making a record in a formal manner, of each
business transaction. It is necessary for day-to-day business control as an entrepreneur will need
to be continuously aware of, for example, who owes money to and how much; or who he owes
money to and how much; or who he owes money to and how much he owes. These records also
form the raw data from which the summary statements of profit and loss and capital can be used
by owner(s) and investor (backers) alike to judge how the business has progressed. Besides, book
keeping records business transaction as it occurs.

e. Effective Time Management

Most businesses and businessmen are time sensitive. Time management is the effective and
efficient use of resources. A small business owner's most precious and most limited resource is time.. In a small business, poor management of time will prevent the business from reaching
its full potential. The key to successful time management is planning and then protecting the
planned time. People who say that they have no time do not plan, or fail to protect planned time. If you plan what to do and when, and then stick to it, then you will have time. The ability to
manage time effectively could separate successful entrepreneurs from unsuccessful business
people.

f. Shared Leadership with employee motivation and empathic human capital management

A positive representation of any business has to do mostly with its employees. Employees have
to know what the company’s goals are and what type of it wants to portray. Finding, keeping,
and managing good personnel ranks among the major challenges for small businesses. Owners
must communicate their goals effectively and train their employees to help achieve these goals.

g. Providing Quality Customer-driven Services or products

Quality customer driven services is a differentiating factor that sustains competitive edge in the
market place. Small business owners should be seized by passion to make quality service
h. Knowledge of the Environment

Political and Legal Environment
In his quest to identify business opportunities in the political legal environment, the small business owner should:-

a. Observe and identify changes in government policies relating to business synergy, foreign investment sweeteners, promotion and protection, tax holidays, depreciation allowance, so as to take advantage of them for business excellences.

b. Closely observe government policies, pronouncements, fiscal budget, political events etc.

c. Study critically the yearly policy focus and budgets of various government parastatals and departments, agencies and ministries to discover business opportunities that are politically related.

d. Think, look, listen and learn as regards the political terrain.

e. Identify the needs and wants of particular political facilities to known whether the needs are adequate met or not and whether such needs can be better met.

Economic Environment
In his quest to identify business opportunities in the economic environment, the small business owner should:-

a. Evaluate how environmental opportunities flow from favourable economic climate, import policy liberalization, increased demand potential for exportable products and services, long-term
fiscal policy, rewarding government incentives, deregulated economy as regards privatization and commercialization etc.

b. Evaluate the nature, conditions and type of private and public sector facilities goods and services that are available or required by consumers and customers in the society.

c. Evaluate how good the existing public and private sector facilities, infrastructures services, the products in the primary production, manufacturing and services sector are meeting the needs and expectations of customers and consumers.

Socio-Cultural Environment
In his quest to identify business opportunities in the socio-cultural environment, the small business owner should:-

a. Know that business opportunity may arise out of changing social values in relation to needs for environmental protection, need for entrepreneurship education and development programmes, reduction in retirement age etc.

b. Know that opportunity search in the socio-cultural environment has to do with the following sub-sectors, housing, primary, secondary and tertiary education, electricity supply, telecommunications, water supply, recreation facilities, road construction, health etc. The prospective entrepreneur should then read, monitor and purposeful research at strategic locations in the various precinct.

c. Be conversant with changing industrial needs. The results of changing industrial needs like weak competition, changing customer tastes and fashion, how entry barriers, raw materials availability will create new mineralise, incremental investment opportunities that if tapped will stand the test of time.

Technological Environment
The extent of and quantum of research and technological breakthrough which are related to new techniques, ways of doing things, instruments and skills will engender new and enhanced investment opportunities that can be tapped, realized and nurtured into niche products or services.
i. Knowledge of the Competitors

Business strategy is all about economic warfare through outperforming the competitors in the act of serving customers. Competition occurs when two or more businesses act independently to supply their products to the same group of consumers. The marketplace is the battlefield, the competitors are the enemy. The price for the victors of this warfare is increased customer patronage, niche, increased profitability and competitive edge. The effect of competition is to bring the consumer a greater variety of products at a lower price. All firms aim to add value. Retaining some of that value as profit is their incentive to produce efficiently, to improve quality and to innovate continuously. Aptly, competitive advantage as the ability to stay ahead of present or potential competition, therefore, superior performance reached through competitive advantage will ensure market leadership. The term competitive edge or advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. Competitive edge or advantage occurs. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player" (when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors.

Businesses are strongly affected by competition and there are two bases on which firms can compete:

- **Price** - where firms are selling identical or very similar products, they must compete on price with each firm trying to undercut the others. Successful price competition depends on cost leadership the ability to supply the product at a lower cost than any other competitor. The price they charge is limited by the extent of the competition.

- **Differentiation** - non-price competition depends on making a product different from those of competitors and by giving it distinctive qualities that are valued by the target market. These might include branding, styling, special features or higher levels of customer service. Such factors can allow a premium price to be charged while still offering target customers competitive value-for-money.
The range of services and the nature of the product they sell is influenced by the level of competition. For example, a business selling an inferior product to that of a rival will struggle to make sales unless they cut their prices.

j. Efficient and Effective Risk Management
Risk management is the process of identifying vulnerabilities and threats to an organisation’s assets in achieving business goals and objectives and deciding the counter or corrective measures to take to reduce or mitigate such risk to an appreciable level.

k. Legal Considerations, Rules and Regulations Relating to New Business Formation
All businesses, like individuals, must obey the law— a body of rules and regulations that guide human conduct and are accepted as binding by the society, which are enforced directly by the state. The breach of the law exposes the culprit to punishment in form of fines or imprisonment or to redress any wrong done to another by way of damages (Sofowora,1997). The law therefore, defines accepted ways of conducting business functions and spells out penalties for non-compliance. Business is controlled by the laws of the land, therefore, it is necessary for an entrepreneur to be aware of certain rules, regulation, that are applicable or that may affect his venture. Non adherence to any statutory rules or laws may hinder or stop a project altogether. There are compelling reasons for a small business owner to be well informed about legal aspects of business and how to enhance business opportunities by proper choices. The knowledge of patents, copyrights, trademarks, trade secrets and licensing laws are needed to protect the business ideas. Many of the infringements are made without intentions or without knowledge and usually settled out of court by discussions or payment of losses. The knowledge of safety and liability helps a small business owner to study cost effective methods, of coverage of risks in the product or operations in a new enterprise.

Conclusive Remarks and Recommendations
Small and medium scale businesses has been seen to contribute significantly to the economy through: job creation, innovation stimulation, economic growth, productivity, creation
of new technologies and creating market for products (Enikanselu and Oyende, 2009). According to Schumpeter (2001) capital and output growth in an economy depends significantly on the entrepreneur. The quality of performance of the entrepreneur determines whether capital would grow rapidly or slowly and whether the growth involves innovation where new products and production techniques are developed. The difference in economic growth rate of countries of the world is largely due to the quality of entrepreneurs in the countries. Production factors of land, labour and capital are said to be dormant or indolent without the entrepreneur who organise them for production ventures. The entrepreneur is therefore an important agent of growth of innovations and technical progress. The development and utilization his technical and commercial skills create growth potentials in Micro, Small and Medium scale enterprises. Small and medium scale business development is a catalyst for economic, social and industrial development. That the lessons to be learnt from the past failure of SMEs were due to

a. Mutual mistrust and inadequate information/ enlightenment towards that objective of SME
b. Lack of confidence on the stakeholders and poor record keeping and management expertise, hence heavy reliance on security, which was either inadequate or not available for an otherwise viable venture

The following are thereby recommended:

- Government and financial institution should develop a holistic approach to schemes initiated by them.
- Prospective business operators should conduct extensive feasibility studies to evaluate the success imperatives and swot analysis.
- Feasibility and viability of any proposed business to avoid investment in unprofitable ventures.
- SMEDAN and NASSI should as a matter of urgent duty create a way of constantly educating the entrepreneurs/members on the essence of proper accounting records/information keeping so as to facilitate the SMIEIS operation.
• Government should engage professionally competence personnel in the formulation of policies that will stand the test of time.

• Government should develop a lasting solution to the state of infrastructural deterioration most importantly electricity.

• CBN, SMEDAN, NEPC (NIGERIA EXPORT PROMOTION COUNCIL), NASSI should in tandem with all participating banks create common forum for monitoring and inspecting the activities and progress of SMEIs.

• Federal Government and its agencies should, as a deliberate policy, make timely payments of domestic debts owed to SMEs so as to release enough funds for investment; and they should also patronize the products of SMEs to assist the grow.

• SMEDAN should establish urgently Industrial Development Centres (IDCS) in all geo-political zones of the country and should not be seen as a competitor to other Government Agencies like PRODA, NDE and Higher education institutions etc, but rather to streamline and coordinate their activities.

• Government should allow SMEs enjoy tax incentives, subsidies and other fiscal and monetary incentives so as to reduce high cost of production.

• Central Bank of Nigeria and Nigeria Deposit Insurance Corporation need to strengthen and update their supervisory machineries in line with the sophistication and emerging challenges of equity Investment of SMEs.

• There is need for strict adherence to and enforcement of all existing and future legislation on ethical standards against the current high and increasing unethical conducts in the Nigerian Financial System so as to alleviate the fears of stakeholders on the integrity of bankers.

• Administrative bottle necks which make funds inaccessible to small and medium scale enterprises operators should be mitigated.

• Government should provide incentives for entrepreneurial culture through incubation centres.

• Entrepreneurial discoveries and innovations should be linked up with SMEDAN/Industries for practical production. The present wide gap between R&D in tertiary education and industries should be narrowed.
Entrepreneurs should explore areas in agriculture and others where increasing returns/comparative advantage is high and not saturated areas of production.

Assistance to entrepreneurs in product quality by institutions like the Standard Organisation of Nigeria (SON) and the Raw Material Development Council of Nigeria should be encouraged.

Promotion of Micro, Small and Medium scale Enterprises should be intensified and entrepreneurship development activities incorporated in Nigeria’s industrial blue print by Government.

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