

THE ROLE OF STRATEGIC PLANNING IN SMALL BUSINESS ENTERPRISES IN BENUE STATE

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Abstract

The performance and effectiveness of small business enterprises as an instrument of economic growth and development in Nigeria has been the concern of many researchers and business organizations. The study examined the role of strategic planning in small business enterprises in Benue State. It was informed by the researchers that the intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized small business enterprises particularly in assessing its role on economic growth and development. Despite government institutional and policy support to enhancing the capacity of small business enterprises, small business enterprises have fallen short of expectations. This has generated serious concern and sceptism on whether it can bring about economic growth and national developments in Nigeria. This low performance has further exacerbated poverty, hunger, unemployment and low standard of living of people in a country whose economy is ailing. The study involved a survey research. The population of the study is 105 while the sample size was derived statistically to arrive at 95. Questionnaires were used as major instrument of data collection. Data collected were analysed quantitatively with simple percentage and tested the research hypotheses with F - ratio (ANOVA). Results show that poor planning has no significant relationship with low performance of small business enterprises in Benue State and strategic planning has no significant relationship in improving the operations of Small Business Enterprises in Business State. The research recommend among others that small business enterprises should learn to set long term goals with implementation plans in the management of their business.

Key words: Strategic, Planning, Small Business, Enterprises

Introduction

The performance and effectiveness of Small Business Enterprises as an instrument of economic growth and development in Nigeria has long been under scrutiny since 1970-1979 (Ihua 2009). This intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized small business enterprises particularly in assessing its role on economic growth and development. Despite government institutional and policy support to enhancing the capacity of small business enterprises, small business

enterprises have fallen short of expectations. This has generated serious concern and sceptism on whether it can bring about economic growth and national developments in Nigeria. The concern is even more disturbing when comparing it in Nigeria with other countries particularly where it has become harbinger of economic reconstruction and transformation (Ihua 2009). In the case of Nigeria, small business enterprises have performed at very abysmal level. This low performance has further exacerbated poverty, hunger, unemployment and low standard of living of people in a country whose economy is ailing.

Research has consistently shown that most small business enterprises do not engage in strategic planning (e.g., Robinson & Pearce, 1984; Sexton & Van Auken, 1985; Berman, Gordon & Sussman, 1997; Orser, Hogarth-Scott & Riding 2000; Sandberg, Robinson & Pearce 2001; Beaver 2003). This is at odds with much of the strategy literature that dictates that business “must actively plan for the future” to compete effectively and survive (Ennis, 1998). Accordingly, small business enterprises owner-managers have been accused of being “strategically myopic” and lacking the “long-term vision as to where their company is headed” (Mazzarol, 2004). The concern is that by neglecting strategic planning, small business enterprises may not achieve their full performance and growth potentials, and their survival could be placed at risk (Berry, 1998). Consequently, considerable research effort has been expended on identifying ‘barriers’ that hinder planning in order that these may be overcome or else mitigated to encourage strategic planning in small business enterprises. The work critically examines the apparent lack of a strategic imperative in small businesses and highlights inherent problems with how this issue has been approached. It argues principally that the antecedents of small business enterprises, strategic planning has not properly been considered and that the extant focus on the business rather than the owner-manager is inappropriate to a better understanding of the issue. The work seeks to draw the attention whether strategic planning in small business enterprises in Nigeria has been effective.

Statement of the Problem

The intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized small business enterprises particularly in assessing its role on economic growth and development. Despite government institutional and policy support to enhancing the capacity of small business enterprises, small business enterprises have fallen short of expectations. This has generated serious concern and sceptism on whether it can bring about economic growth and national developments in Nigeria. The concern is even more disturbing when comparing it in Nigeria with other countries particularly where it has become harbinger of economic reconstruction and transformation. In the case of Nigeria, small business enterprises have performed at very abysmal level. This low performance has further exacerbated poverty, hunger, unemployment and low standard of living of people in a country whose economy is ailing. The work tries to identify the causes of low performance by Small Business Enterprises in Benue State.

Objectives of the Study

The major objective of this work is to identify the importance of Strategic planning on Small Business Enterprises in Benue State. Specific objectives include, to:

- i) find out whether low performance by Small Business Enterprises in Benue State is as a result of poor planning;
- ii) examine how strategic planning can help in improving the operations of Small Business Enterprises in Benue State.

Research Questions

- i) To what extent poor planning affect low performance of Small Business Enterprises in Benue State?
- ii) To what extent strategic planning can help in improving the operations of small business enterprises in Benue State?

Hypotheses

- H₀₁: Poor planning has no significant relationship with low performance of Small Business Enterprises in Benue State
- H₀₂: Strategic planning has no significant relationship in improving the operations of small business enterprises in Benue State.

Conceptual Framework and Literature Review

Small Business Enterprises have been long recognized as an instrument of economic growth and development. This growing recognition has led to the commitment of World Bank group on small business enterprises sector as core element in its strategy to foster economic growth, employment and poverty alleviation. In the year 2004 the World Bank group approved roughly \$2.4 billion in support of micro small business enterprises (World Bank, 2001, Ayyagari 2007). According to extant literature the definition vary in different economies but the underlying concept is the same. Buckley (1989) in Abiodun (2011) contends that the “definition of small business enterprise varies according to context, author and countries”. In countries such as USA, Britain and Canada small business enterprise is defined in terms of annual turnover and the number of paid employees (Ekpeyong and Nyang, 1992). In Britain for example, small business enterprise is conceived as that industry with annual turnover of 2 million Pounds or less with fewer than 200 paid employees. In the case of Japan it is conceptualized as type of industry, paid up capital and number of employee. Consequently small business enterprises are defined as those manufacturing with 100 million yen paid up capital and 300 employees. Those in wholesale trade with 300 million paid up capital with 100 employees while those in retail trade with 100 million paid up capital with 50 employees (Abiodun, 2011). In the case of Nigeria hardly do you see a clear-cut definition that distinguishes between small business enterprises. However, the Central Bank of Nigeria in its Monetary Policies Circular No. 22 of 1988 view small business enterprises as those businesses which has annual turnover not exceeding 500,000 naira (CBN; 1988). Similarly in 1990 the Federal Government of Nigeria defined small business enterprises for the purpose of commercial bank loans as those businesses whose annual turnover does not exceed 500,000 thousand naira and for merchant bank loan those businesses with capital investment not exceeding 2 million naira (excluding the cost of land) or a minimum of 5 million naira.

Small Business Enterprises in Nigeria

In every economy, small business enterprises have been seen as a pivotal instrument of economic growth and development either in developed or developing economies. Several studies have confirmed this (Ogujiuba 2004, Onugu 2005, Ihua; 2009) data from the Federal Office of Statistics in Nigeria affirmed this importance when it reveal that about 97 percent of the entire businesses in the country are small business enterprises and they employed an average of 50% of the working population as well as contributing to 50 percent of the country’s industrial output. As Ariyo (1999) and Ihua (2009) averred, small business enterprises in Nigeria are not only catalyst of economic growth and development, but are also the bedrock of the nation. Although small business enterprises activities had existed since the period of independence in Nigeria, however, conscious efforts on small business enterprises as instrument of economic and national development started in 1970-1979 when Nigeria adopted the policy of indigenization through its National Development Plan Programme. The development plan articulated the need for the Nigerian economy to be self reliant through industrialization, entrepreneurial development employment generation and development through increasing export trade (NDP, 1970).

The federal government singled out small business enterprises as the key area of intervention in the unemployment problem in the state. This was premised on the government’s desire of giving support to small business enterprises in the country as a measure of meeting up with its commitment to the development plan and the indigenization policy. The intention was that it would be a reaction against the dominance of the

economy by the international capitalist entrepreneur and on the account that revitalizing small business enterprise would enhance the capacity of the indigenous capitalist class, as a potential player in economic growth and national development.

In its intervention effort, government promulgates different regulation for the basis of protecting the small business enterprises. Some of the regulations include: Nigeria Enterprises Promotion No. 3 of 1977, Patent Right and Design Act No 60 of 1979, Custom Duties (dumped and subsidized goods Act No. 9 of 1959, Industrial Promotions Act No. 40 of 1979, Industrial Development Tax Act No. 2 of 1971 among others (Alawe, 2004). Apart from the promulgated act government supported small business enterprises through; Favorable Investment Policies, Institutional and Fiscal Policies, Protective Business Law and Financial Incentives to encourage the national development and indigenization policy which small business enterprises are very central to. Several micro lending institutions were established to enhance the capacity and development of small business enterprises. Such micro credit institutions include Nigeria Bank for Commerce and Industry (NBCI), National Economic Reconstruction Funds (NERF), People's Bank of Nigeria (PBN), Community Bank (CB), National Export and Import Bank (NEIB), and the liberalization of the banking sector to enhance the banking institutions for effective participation in the growth and capacity building of small business enterprise (Ogujiuba; et. al 2004). Government also established Raw Materials and Research Development Council (RMRDC) of finance and research institutions in 2001, the research report of this institution is useful to small business enterprise and business organization in their product choice decision, product development delivery strategies to increase small business enterprise effectiveness and efficiency. To complement this effort, government also created some polytechnics and university to provide manpower scheme and also set up some manpower training institutions. These include; Centre for Management Development (CMD), Administrative Staff College of Nigeria (ASCON) Industrial Training Institute (ITI) etc (Ogechukwu; 2006). A number of recommendations and findings of these institutes and centre were geared towards developing small business enterprises.

Strategic Planning and Small Business Enterprises

Strategic planning is a tool for organizing the present on the basis of the projections of the desired future. That is, a strategic plan is a road map to lead an organization from where it is now to where it would like to be in five or ten years Ernstthal (1992). Operationally, strategic planning is a systematic process of envisioning a desired future, and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them.

Strategic planning refers to the setting of long-term business goals, and the developing and implementing of formal plans to achieve these goals (O'Regan & Ghobadian, 2004). A review of the small business literature suggests that, *ceteris paribus*, strategic planning is generally more common in better performing enterprises (Hormozi, Sutton, McMinn, & Lucio, 2002). For example, small businesses that strategically plan (compared to those that do not) are more likely to be those that achieve higher sales growth, higher returns on assets, higher profit margins and higher employee growth (Gibson & Casser, 2005). This implies that, small businesses that strategically plan are also more likely to be those that are innovative, those that achieve international growth. Overall, the relationship between strategic planning and business performance is best summarized by the following statement: "Of all the contrasts between the successful and the unsuccessful business, or between the leader and follower, the single most important differentiating factor is strategy" (Thomas cited in Olson & Currie, 1992).

Given all the evidence on the benefits of strategy and planning however, most small businesses do not strategically plan. In practice, the primary focus of small business operators is on short-term operational rather than long-term strategic issues, and their decision-making is generally reactive and intuitive rather than proactive and deliberates (Mazzarol, 2004). This means that for those operators that do plan, planning is frequently adhoc rather than formal and subsequently provides little basis upon which business performance can be measured or analyzed.

Research into why small businesses generally do not engage in strategic planning has suggested that operators may be hindered or discouraged by 'planning barriers' such as a lack of time, a lack of specialized expertise, inadequate knowledge of the planning processes, or a reluctance to share strategic plans with employees and external consultants (Robinson and Pearce 1984).

The Role of Small Business Enterprises in Nigeria

Awoseyila, (1997) enumerated the role of small business enterprise as follows:

- i. **Technological/ industrial development:** They have short-term gestation period and high potentials for quick yield on investment. They therefore provide promising alternatives for countries that desire the fast option for industrial development;
- ii. **Employment Generation:** It has been observed that more jobs per unit of investment capital and per unit energy consumed are created worldwide by small business enterprise than large business enterprises;
- iii. **Technological Acquisition:** They provide opportunities for the development of local skills and technological acquisition. The "Aba made" syndrome is a clear manifestation of such technological acquisition and if encouraged will give rise to rapid economic development;
- iv. **Capacity building:** They provide a training avenue for the creation of local entrepreneurs in several areas of economic activities. They are regarded as the 'university' where a large class of Nigerian entrepreneurs usually receives training. It is therefore more important to lay a good foundation of an industrial class by promoting small entrepreneurs than it is to build a few large factories;
- v. **Promoting Growth:** Most are involved in primary and secondary economic endeavors that rely heavily on locally sourced materials, equipment and parts. As a result they achieve high local value added operators;
- vi. **Increased standard of living:** Sound development of small business enterprise has positive implications for improved standard of living of the citizenry and generates foreign exchange for further development of the economy.

The Role of Strategic Planning on Small Business Enterprises

Helen (2007) stated the following as the role of strategic planning on small business enterprises:

- i. **Establish direction:** Clearly defines the purpose of the organization and establishes realistic goals and objectives consistent with the mission which can be clearly communicated to constituents. Provides a base from which progress can be measured, employees compensated and boundaries established for effective decision making;
- ii. **Make wise business decisions:** How do you distinguish between a good idea and a great idea? Without a clear vision of what you want to achieve, and mission or purpose for doing it, everything seems like a good idea. What project do you invest in? How should you and your staff invest your time? Having clarity about what you want to do, who you need and how to get there will focus limited financial and people resources.
- iii. **Create longevity of the business:** The world market and industries are changing faster than ever and those companies who do not have a solid foundation and have relied on luck or opportunity most likely will not be around for the future. Data reflects that one out of every three companies at the top of their industry will not make be there in five years. Focus is powerful. Scientists focus light so intently that it becomes a laser which is used for surgery or able to cut through glass and metal.

- iv. **Increased profitability and market share:** Focused planning and strategic thinking will uncover the customer segments, market conditions, and product and service offerings that are in the best interest of your firm. An intentful and targeted approach to markets and opportunities which guide your sales and marketing efforts, distribution and other business decisions which ultimately mean more profit to the bottom line and a stronger market position.
- v. **Increased job satisfaction – meaningful and full of purpose:** Consistently one of the top reasons for leaving a firm is the lack of job satisfaction. People need to have a motivation to come to work and feel like part of the team. It has been proven that employees are the greatest source for innovative ideas. If your employees were in essence bricklayers, would they say that they are building a wall with each brick they lay each day or building a cathedral? The purpose and meaning of work gives a new focus and reason to show up each day.

Problems of Small Business Enterprises in Nigeria

Onuoha (1998) enumerated problems of small business to include:

Managerial problems

Money is not the only crucial requirement for small business enterprises survival and growth but its efficient and effective management. Many entrepreneurs lack the managerial skills and talents necessary for planning, organizing, directing and controlling their human and material resources. Again because of their small sizes, small businesses are unable to employ and maintain highly specialized workers in areas of accounting and management. The demand for the skills of such people by the firm may be so small as to cause such workers to be under-employed. Also, partly due to employing highly qualified workers as is the case in large and well practices, poor financial management and inefficient operations. It should be emphasized here that the vital components of management are lacking in our small business enterprises and this may account for their high rate of failure.

Financial Problems

Finance is a major problem for small business enterprises in Nigeria. Sources of funds for this category of business include personal savings, loans from friends and relations, credit financing from financial institutions and loan from the government or its agencies. In spite of all these source of funds, small business enterprises in this country suffer from acute shortage of financial resource necessary for efficient business operations and expansion. Small business enterprises ability to borrow is impaired because of the small amount of asset they own. These assets do not offer adequate security and collateral demand by lending institutions. This low asset base makes it very difficult to borrow from finance institutions, and whenever it is possible, the cost of such loans are much higher, always reflecting the lender's estimates of risk and uncertain inherent in small business organization. They have to compete with bigger and more viable business concerns for the limited funds available for lending by these lending houses. Because small business enterprises are very numerous, commercial and development banks consider granting them loans to be administratively expensive. They (the banks) prefer to deal with the big customers. Again, they can neither raise funds from the capital markets nor invite the public to subscribe to their shares.

Infrastructural Problems

Small business enterprises in Nigeria are confronted with the problem of inadequate infrastructural facilities such as electricity, water supply, transportation, feeder roads, communications, hospitals, schools, etc where there facilities available, they are concentrated in the few urban centres, thus denying the rural areas where

about 80% of Nigerians live these essential facilities. This inadequacy in infrastructure has retarded the rate of industrialization and economic development.

Technological Problems

The issue of technology goes hand in hand with those of entrepreneurship and management. Some authors believe that the fundamental problems facing indigenous small business enterprises towards industrialization in Nigeria at present is neither that of identifying efficient technology nor that of managing what is adopted, but the fact that the indigenous technological base is extremely low. This has manifested in our inadequate technological know-how, inadequate technically trained manpower, problems connected with the importation of raw materials, machinery and spare parts, and other industrial inputs.

Social Problems

As an aftermath of our low technological base, our small business enterprises do not produce goods of high quality and cheaper prices as those imported from the more technologically advanced countries. This has resulted in unsatisfactory attitudes of most Nigerians toward Nigerian made goods, (which they usually refer to as 'Igbo made' or "Aba made') hence their preference to foreign or imported goods.

Theoretical Framework

The basic theory that has been established in this research work is "Management by Objective theory by Drucker (1979). In his work, Drucker (1979) began by identifying certain inherent structural variable in the work environment that is capable of misdirecting the efforts of management towards the realization of corporate goals.

The sources of these are mentioned below:

- a) Over-emphasis on workmanship vis-a-vis goal attainment, so much that professional rivalry and empire building may result.
- b) Opposing views at various level of management arising from differentials in their scope of jurisdiction and pursues corporate goals.

Participation is an essential component of an effective management by objective programs. Managers and employees should agree on objectives and should meet periodically to review progress toward the objective.

The objective set in the process of management by objectives help provide a yardstick for appraisal, compensation and control.

Once the objectives are agreed upon, everyone knows what is expected of him, thereby making appraisal and reward easy and known what is more, it facilitates control of organizational operations as deviations can be easily identified and corrections made.

Methodology

The research design for this study is a survey research; the population was made up of 143 respondents which comprise of Cyber Cafe in Benue State. We determine our sample size of 105 statistically using Adefila's formula of (2008). The random sampling technique was also use to select the elements of sample since the sample consists of more than one cyber cafe. Oral interview and questionnaire were used as instrument of data collection. The instrument focus was on the Role of Strategic planning in Small Business Enterprises in Benue State. A total of 105 questionnaires were administered and 95 were fully filled and returned, representing 100% return rate. Our data were analyzed using simple percentage and a 5 point Likert Scale i.e (SA, A, SD, D), data were sourced from both secondary and primary sources. Data from secondary sources are those from text books, journals, publications and the internet, while primary data were from respondents through questionnaire, and the oral interviews Adefila (2008). The instruments were validated by some expert in the field, and we tested our research hypothesis using analysis of variance (ANOVA).

Result and Discussion

This section involves data presentation and analysis to determine whether the causes of low performance by Small Business Enterprises in Benue State and to examine how strategic planning can help in improving the operations of Small Business Enterprises in Benue State. Simple percentages were used to show the responses of our respondents on the questionnaire administered on the issues of the role of strategic planning in small business enterprises.

Table 1: Small Business Enterprises and strategic planning

| Responses | No of Respondents | Percentages |
|--------------------|-------------------|-------------|
| Strongly agreed | 57 | 60 |
| Agreed | 27 | 28 |
| Strongly disagreed | 0 | 0 |
| Disagreed | 11 | 12 |
| Total | 95 | 100 |

Table 4.1 shows that 57 respondents representing 60% strongly agreed that small business enterprises need strategic planning, 27 respondents representing 28% agreed, no respondent strongly disagreed, while 11 respondents representing 12% disagreed that small business enterprise does not need strategic planning. The percentage difference between those who agreed that small business enterprises need strategic planning and those who disagreed is 76% in favour of those who agreed. Thus this justify that strategic planning has significant effect on the success of small business enterprises in Benue State.

Table 2: Strategic Planning and Performance of Small Business Enterprises

| Responses | No of Respondents | Percentages |
|--------------------|-------------------|-------------|
| Strongly agreed | 57 | 60 |
| Agreed | 30 | 32 |
| Strongly disagreed | 0 | 0 |
| Disagreed | 8 | 8 |
| Total | 95 | 100 |

Table 4.2 above shows that 57 respondents representing 60% strongly agreed that strategic planning will improve the performance of small business enterprises, 30 respondents representing 32% agreed, no respondent strongly disagreed, while 8 respondents representing 8% disagreed that strategic planning will not improve the performance of small business enterprises. The percentage difference between those who agreed that strategic planning will improve the performance of small business enterprises and those who disagreed is 84% in favour of those who agreed. Thus this justify that strategic will improve the performance of small business enterprises in Benue State.

Table 3: Strategic Planning and organizational decision

| Responses | No of Respondents | Percentages |
|--------------------|-------------------|-------------|
| Strongly agreed | 55 | 58 |
| Agreed | 31 | 33 |
| Strongly disagreed | 0 | 0 |
| Disagreed | 9 | 9 |
| Total | 95 | 100 |

Table 4.3 shows that 55 respondents representing 58% strongly agreed that their organization use strategic planning when taking decision, 31 respondents representing 33% agreed, no respondent strongly disagreed, while 9 respondents representing 9% disagreed that their organization does not use strategic planning when taking decision. The percentage difference between those who agreed that their organization use strategic planning when taking decision and those who disagreed is 82% in favour of those who agreed. Thus this justify that most organizations use strategic planning when taking decision.

Table 4: Strategic Planning and the operations of Small Business Enterprises

| Responses | No of Respondents | Percentages |
|--------------------|-------------------|-------------|
| Strongly agreed | 62 | 65 |
| Agreed | 33 | 35 |
| Strongly disagreed | 0 | 0 |
| Disagreed | 0 | 0 |
| Total | 95 | 100 |

Table 4.4 shows that 62 respondents representing 65% strongly agreed that the use of strategic planning help to improve the operations of small business enterprises, 33 respondents representing 35% agreed, no respondent strongly disagreed and no respondents disagreed that the use of strategic planning does not improve the operations of small business enterprises. The percentage difference between those who agreed that strategic planning helps to improve the operations of small business enterprises and those who disagreed is 100% in favour of those who agreed. Thus this justify that strategic planning will help to improve the operations of small business enterprises in Benue State.

Test of Hypotheses

H₀₁: Poor planning has no significant relationship with low performance of Small Business Enterprises in Benue State. In testing this hypothesis table 1 and 2 were used.

Table 5 ANOVA

| RESPONSE | Sum of Squares | Df | Mean Square | F | Sig. |
|----------------|----------------|----|-------------|--------|------|
| Between Groups | 4042.500 | 3 | 1347.500 | 82.923 | .000 |
| Within Groups | 65.000 | 4 | 16.250 | | |
| Total | 4107.500 | 7 | | | |

Critical value at 5% level of significance with degree of freedom 3 is 6.59.

Decision Rule

Since the calculated value of 82.92 is greater than the critical value of 6.59, the null hypothesis is rejected while accepting alternate hypothesis. Therefore we concluded that poor planning has significant relationship with low performance of small business enterprises in Benue State.

H₀₂: Strategic planning has no significant relationship in improving the operations of small business enterprises in Benue State. In testing this hypothesis table 3 and 4 were used.

Table 6 ANOVA

| RESPONSE | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|----|-------------|--------|------|
| Between Groups | 4420.500 | 3 | 1473.500 | 87.970 | .000 |
| Within Groups | 67.000 | 4 | 16.750 | | |
| Total | 4487.500 | 7 | | | |

Critical value at 5% level of significance with degree of freedom 3 is 6.59.

Decision Rule

Since the calculated value of 87.97 is greater than the critical value of 6.59, the null hypothesis is rejected while accepting alternate hypothesis. We can conclude that Strategic Planning has significant relationship in improving the operations of Small Business Enterprises in Benue State.

Conclusion

The work assessed the role of strategic planning in small business enterprises in Benue State. In the course of the work it was discovered that the key factors affecting low performance of small business enterprises in Benue State are poor planning and lack of strategic planning. These key factors may also leads to poor management performance, financial capacity, level of technology, lack of skilled workers, lack of environmental scanning and lack of infrastructure, poor price fixing, poor product or service, absence of an enabling environment, security concern, multiple taxation and over-dependence on certain individuals which equally affect low performance of small business enterprises in Benue State.

Recommendations

A study of small business enterprises in Benue State shows that the reasons for the inability to succeed are because they attach little value to strategic planning in their decision making but not to a large extent. To this end the work has recommended the followings:

- i. Small business enterprises should learn to set long term goals with implementation plans in the management of their businesses;
- ii. Small Business Enterprises should learn to make wise use of both human and material resources with a clear vision to achieve a purposeful end;
- iii. Focus planning will help small business enterprises to discover the customer segments, market condition, product, service offering that can help a firm to achieve its set targets

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