
**A Study on Survival Strategies of Small and Medium Enterprises in
Kano Metropolis for the Period 2005-2010**

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ABSTRACT

The survival of the fittest is not only peculiar to animal behaviour; business firms often make frantic attempts to outsmart each other by developing and implementing winning strategies. Many business firms operate in a perfect competitive market, where only the best survives. The instinct for survival has become a worldwide phenomenon; hence, nations develop many bailout plans and strategies, cut costs, cuts in employment and other costs, just to survive. In this vein, this paper examines the various means adopted by several small and medium enterprises in Kano metropolis for survival during the economic melt-down that rocked the world: emphasis is centered on 2005-2010. The methodology used by the researchers include, collection of data from both primary and secondary sources. The primary data were collected through the administration of questionnaires to selected small and medium enterprises owners/operators in Kano metropolis. Stratified sampling method was employed. It was discovered that many business owners adopted penetration strategy; some introduced new products/brands while others employed consolidated strategy and improved marketing activities. The paper concluded by recommending that management of small businesses should endeavour to pay more attention to the nature and intensity of competition/rivalry among small and medium enterprises in Kano, especially those in related businesses.

Keywords: Small and Medium Enterprises, Economic Melt-down, Business Organization, Survival Strategies.

Introduction

Small businesses have long been recognized as drivers of the economy and engines of growth. Small businesses are everywhere- in villages and cities, in developed and developing countries. However, there is virtually no sector of the economy in which competition does not exist. The small and medium scale enterprises are no exception because they are profit-oriented organizations. Also, the business environment is a complicated dynamic and ever developing environment in the economy today. The environment of an organization especially commercial organization that is established with the motive of making profit has those elements whose

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services are essential for the effective performance of the organization. Hence, the organization must adopt or adjust towards rendering improved services to customers, for it to survive competition.

The global environment has a way of influencing the activities of a business organization and hence, the recent economic melt-down posed serious threat to the continual existence of small and medium scale enterprises all over the world. This prompted the researcher to investigate how small businesses survived the economic melt-down from the period 2005-2010 in Kano Metropolis.

Theoretical Framework and Literature Review

Meaning of Small and Medium Scale Enterprises

A small business is one that is independently owned and operated and it is not dominant in the industry /sector of the economy where it operates. The Industrial Research Unit (I.R.U) of the Obafemi Awolowo University, Ile-Ife, defined small scale business as "one whose total assets in equipments, plant and working capital is less than ₦250,000 and employing fewer than fifty(50) full time workers."

Oshagbemi (1985) suggested that small scale business can be described as those whose scale of operation is less than the average for the industry. Small scale business is any business whose needs for equity and loan capital are too small to interest investment from banks or the capital market. Mohammed and Ango (2010) said a small scale business refers to all commercial undertakings that are small in size, number of employees, capital employed, number of customers and sales turnover. They stated further that businesses can be micro, small, medium and large enterprises.

The National Council on Industry differentiated between micro, small, medium and large enterprises as follows:

- **Micro/Cottage Industry:** an industry with total capital employed of not more than ₦1.5million, including working capital but excluding cost of land, and/or a labour size of less than 10 workers.
- **Small Scale Industry:** an industry with total capital employed of over ₦1.5million, including working capital but excluding cost of land and/or a labour size of 11 to 100 workers.
- **Medium Scale Industry:** an industry with a total capital employed of over ₦50million but not more than ₦200million, including working capital but excluding cost of land, and/or labour size of 101-300 workers; and

- **Large Scale Enterprises:** an industry with a total capital employed of over ₦200million, including cost of land and/or a labour size of over 300 workers.

Strategy involves the deployment of resources for the attainment of objectives; it is the pattern of significant decision made to fulfill organizational purposes. It relates to long-range objectives. It encompasses courses of action necessary to attain the objectives.

Bearing in mind the above definitions of Strategy, it is significant to note that its deployment would be very essential for survival of small and medium scale enterprises. This research work shall attempt to discover the various strategies adopted to overcome economic melt-down by some micro, small and medium enterprises in Kano metropolis for the period under review.

Contributions of Small and Medium Enterprises to Nigerian Economy

Haruna (2010), Mohammed & Ango (2010), Oyekan (2007), Adima (2003) and many other scholars stated that small and medium enterprises are of great importance to Nigerian economy considering the following:

1. **Employment Opportunities:** Small scale enterprises have really helped to reduce unemployment considering the number of people that are engaged in their operations, since most of their operations are labour intensive; they provide employment opportunities at a relatively low capital cost.
2. **Equitable Distribution of the Nation's Income:** Studies have shown that between the rich and the poor, the gap is geographical distribution of income and wealth is very wide. However, small businesses have helped in redistribution of income by creating a strong middle class.
3. **Mobilization of Local Resources:** there is need to switch emphasis from import dependent large scale industries to small enterprise which structure their production processes to depend mostly on local sourcing with locally available resources. This inward looking process will play a significant role in mobilizing local resources which have been neglected.
4. **Raw Materials Sources:** In fact, most automobile manufacturing plant in Europe and America do not really manufacture every bit of the car, rather, they make considerable use of component parts most of which are supplied by small scale industries e.g. Guinness (Nig.) Plc, Nigeria Breweries Plc, British America Tobacco, Nigeria (BAT) etc rely on local farmers for their raw materials.

5. **Conservation and Generation of Foreign Exchange:** A good number of imported consumer goods can be economically produced locally to save and boost foreign exchange e.g. 5alive juice, frozen foods and beverages are now produced locally in Nigeria and even exported to generate foreign exchange.
6. **Mitigation of Rural-Urban Migration:** Small scale firms may be a veritable instrument for solving the problem of rural-urban drift. Some small businesses are in rural areas to absorb rural labour. This situation will have a positive impact on agricultural output and a rise in farmers' income which in turn will encourage the rural dwellers to remain in their locality.
7. **Even Distribution of Industries:** The rapid growth in the establishment of small-scale business has led to a more even distribution of industries nationwide.

Challenges Confronting Small and Medium Enterprises in Kano

The following are notable problems facing small scale owners/entrepreneurs in Kano metropolis as discovered by the researchers:

1. **Difficulties in Attracting Fund for Expansion:** One of the major problems faced by Nigerian entrepreneurs is the issue of financing their operations. The collateral securities and rate of interest required most time by banks go beyond what small scale can afford thereby denying them access to bank loans.
2. **Epileptic Power Supply:** Inadequate power supply witness in Nigeria has great adverse effect on the operations of small scale enterprises. Most small scale businesses can not afford to acquire plant because of its huge financial commitment and where the enterprise is able to acquire the plant, the cost will reflect on the unit price of their products thereby leading to higher prices which may scare the consumers away especially where products produced by the enterprise have close substitutes.
3. **Competition/Poor Patronage:** Nigerians believe that locally made goods are inferior, so, they prefer patronizing imported goods thereby hindering the growth and expansion of small scale industries.
4. **High Cost of Machinery Maintenance:** Nigeria is in need of expatriates whose service fee cannot be compared to that of the local experts and many enterprises cannot pay for such expatriates' service.

5. **Inconsistent Government Policies:** Inconsistent government policies sometimes create problem for small scale operations. For instance, if an enterprise imports raw materials and there is a policy banning such raw materials, the enterprise will find it difficult to survive if there are no available local contents to substitute such materials.
6. **High Rate of Taxes/Multiple Taxation:** Various forms of taxes are imposed on small scale operations by all tiers of government which they often find difficult to cope with. These taxes come in the forms of business registration fee, local government fee, value added tax (VAT), excise duties, state tax/state permit, etc. when all these taxes are deducted from profit made, the remaining amount become so little that the enterprise may even find it difficult to pay its workforce.
7. Other problems include erratic infrastructural facilities like poor road network, inadequate pipe borne water, frustrating security system, inefficient telecoms services etc.

Meaning of Strategy

Kourdi (2009) cited in Sagagi (2010) says "strategy is the plans, choices and decisions used to guide a company to greater profitability and success."

Other definitions of Strategy as stated in Sagagi (2010) include:

- The unique and sustainable ways by which organisations create value – Kaplan and Norton, (2001);
- A broad formula for how a business is going to compete – Porter (1996);
- Deliberately choosing a different set of activities to deliver a unique set of value- Porter (1980);
- Strategy is the **direction** and **scope** of an organization over a **long-term** which achieves **advantage** for the organization through its configuration of **resources** within a challenging **environment** to meet the needs of **markets** and to fulfill **stakeholders'** expectations - Bambale (2010).

Strategic Management Process in Small Business

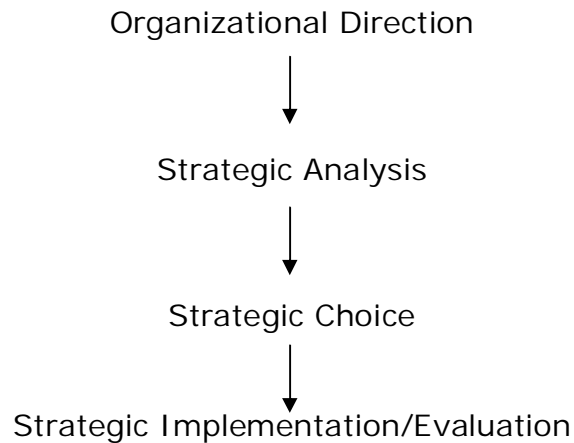


Figure 1: Strategy Process
(Culled From Corporate Strategy by Sagagi, 2010)

Methodology of the Study

This research study was carried out employing data collected from both primary and secondary sources. The primary data were collected through the administration of questionnaires to selected small and medium scale business owners in Kano metropolis; ninety (90) small/medium business owners were selected.

For the purpose of this work, stratified random sampling method was adopted in administering the questionnaires to the selected businesses/business owners; this was done to have a fair representation of different line of businesses.

Results and Analysis

For the purpose of this work, questionnaires were administered to ninety (90) small and medium enterprises in Kano, however, 82 were completed and returned giving a 91% response rate; 8(9%) of the questionnaires were not returned. The researchers made effort to explain the questions and options/alternatives to some respondents due to their (respondents) educational backgrounds.

Beside the personal data, the questionnaires posed the following relevant questions:

Table 1: Presence of Competition

Description	Respondents	Percentage (%)
Yes	82	100
No	0	0
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

From table one above, it showed that 82 respondents which represent 100% of the respondents agreed that there was stiff competition during the period. Every business is characterized with competition especially if it is operating in a perfect competitive market where there is 'free entry and exit'.

Table 2: Peculiarity of the Competition

Description	Respondents	Percentage (%)
Financial institutions	25	30.6
Every sector	55	67
Undecided	02	2.4
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

From the table 2 above, the response showed that 25 respondents representing 30.6% agreed that the global competition is severely felt by financial institutions while 55 respondents representing 67% believed that it cut across all businesses. The economic recession affected virtually every business but Capital market and financial institutions were worst hit.

Table 3: Strategy Adopted

Description	Respondents	Percentage (%)
Penetration Strategy	75	91.5
'Withdraw Strategy'	1	1.2
'Do Nothing Strategy'	6	7.3
Total	82	100

Source: Questionnaire Administered, Kano 2012.

From table 3 above, 75 respondents representing 91.5% said that many firms used Penetration Strategy, 1 respondent representing 1.2% believed the company used 'Withdraw Strategy' while the remaining 6 respondents chose 'Do Nothing Strategy'

Table 4: Adoption of Consolidation Strategy

Description	Respondents	Percentage (%)
Yes	80	97.5
No	2	2.5
Undecided	0	0
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

Table 4 above revealed that majority of the respondents 97.5% of them said effort was made to retain the companies' positions in the market place during the crisis period. Bearing in mind that competition was prevalent during the period; the firms had to retain its market position with consolidation strategy.

Table 5: New Products Strategy

Description	Respondents	Percentage (%)
Yes	79	96.4
No	3	3.6
Indifferent	0	0
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

Table 5 above showed that many firms introduced some new products while some added new brands during the economic recession (2005-2010). 3 respondents, most likely new entrants denied new introductions in the market place.

Table 6: Improved Marketing Activities

Description	Respondents	Percentage (%)
Yes	81	98.8
No	1	1.2
Undecided	0	0
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

From the analysis of data on table 6 above, majority of the respondents believed that their businesses embarked on some forms of improved marketing activities. Promotions, improved customer service, seller-customer friendly relationships, prompt processing of orders and prompt delivery characterized their operations during the period as well.

Table 7: Diversification Strategy

Description	Respondents	Percentage (%)
Yes	80	97.6
No	2	2.4
Total	82	100

Source: Questionnaire Administered, Kano, 2012.

Table 7 above revealed that a vast majority of respondents agreed that the businesses employed diversification strategy and it really assisted them to overcome economic crisis during the period. However, two (2) respondents representing 2.4% disagreed; this may be due to ignorance on their part as to what constitute Diversification Strategy.

Question 8 was an open-ended question, 'How would you describe the Strategy of your business?'

Answer: Many of the respondents confirmed that the strategies during the period were effective judging by the results they got. At least, majority of the businesses were able to survive the trial period.

Discussion

The information in table 1 and 2 above revealed that there was intense competition during the period and the competition was not limited to only some industries. The implication of this is that, competition will never cease in business environment be it during economic boom, economic recession or economic recovery.

The decision/policy makers need to be constantly aware of this truth and make sound decisions that will stand the test of time. Decision makers must know that businesses operate in a perfect competitive environment and as such must be dynamic and formulate policies that will win in dynamic business environment.

Table 3 revealed that the company adopted 'Penetration strategy' which simply means increasing market share of the same market. This is a more aggressive option and usually involves investing in product improvement, advertising, or channel development. Also it involves acquiring the businesses of competitors who are withdrawing from the market.

The implication of this is that, no matter how bad the business situation is, the firm can still increase its market share provided the right things are done at the right time. Good strategies can make the difference be it at the corporate level, divisional level or functional level. Also, management should know that opportunity exists to acquire businesses of competitors that are 'selling-out' in order to avoid competition.

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Table 4 agreed that Consolidation strategy really worked for the firm during the economic recession. The strategy attempts to hold market share in existing markets. This is a defensive option which usually involves cutting costs and perhaps prices. The implication of this is that, even if the firm cannot increase its market share, at least it should be able to retain its existing share in the markets. The policy/decision makers need to be defensive in order not to retain the firm's share of the markets.

Table 5 made us to realize that new product development for both new and existing markets helped the firm to survive during economic melt-down. The implication is that products that satisfy human needs or tailored around consumers will always bring desired return to the organization. No matter the economic recession, firms should always produce what customers will buy and not what they can produce. Always remember that 'customer is king'.

Table 6 portrayed the company's effort towards improved marketing activities as a survival strategy during economic recession. The implication of this to policy/decision makers is that company's activities need to be promoted through sound marketing policies and programmes. Managers need to blow their own 'trumpet', create awareness, conduct sales promotion, after sales service, marketing campaigns etc. for them to make their presence felt and known in the market place. All these are good strategies.

Table 7 showed that the company used diversification strategy during the period under investigation. Diversification means entry into new markets with new products. Diversification may be of two kinds—related and unrelated. It is a good strategy to adopt. The implication of this is that, once a particular market is saturated the firm should retain its share in that market and look elsewhere for new opportunities. A product that has reached a decline stage in one market may start at introduction stage in a new market thereby giving the firm higher competitive advantage.

Summary of Findings

The study on the survival strategies of Small and Medium Enterprises in Kano Metropolis has the following major findings among others:

Penetration Strategy was employed by the company to overcome the economic depression. Also the businesses consolidated their market position during the period. They achieved this by developing 'Consolidation Strategy' and this strategy really worked.

Also, the companies introduced new products for new markets during the period. The Managers/owners confirmed this stand. More neighbouring states were covered in terms of distribution more than ever. This strategy can still be applied in the future.

Improved marketing activities became more imperative during the economic recession era under study. The company embarked on advertisement, efficient product delivery, brand differentiation and publicity to create more awareness about its products in Kano metropolis.

Conclusion

Based on the findings of this study, this research work is very necessary and purposeful; it has a lot to offer in a bid to overcome the persistent cases of global economic melt-down as it affects the operations of small and medium enterprises in Kano metropolis. Competition is a continuous fight for survival among companies all over the world but various Production Strategies, Marketing Strategies, Financial Strategies, Personnel Strategies and Corporate Strategies would always put companies that strategize ahead of others. Infact, the way forward is always to develop wining strategies that will give the firm a higher competitive advantage over its competitors.

Recommendations

The following recommendations are hereby put forward for numerous small and medium scale business owners' consideration:

- i. Management of small businesses should endeavour to pay more attention to the nature and intensity of rivalry among Small and Medium Enterprises in Kano, especially those in the related business
- ii. Management of small businesses should lay more emphasis on product differentiation, design their products to meet needs, profit and differentiate themselves from other businesses by blending product features, this will add service value and convenience to their customers.
- iii. Small business owners should introduce new products complementary to the existing products/brands so as to entice more customers and overcome the problem of competition.
- iv. The management of small and medium enterprises should employ strategists and make them more pro-active in responding to global challenges. Development of functional strategies, corporate strategies and divisional strategies should be flexible/dynamic to meet global contingencies

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- v. The businesses should consider the long-term relationship with their customers not just an immediate sale. Their products should be tailored round the customers, as customers are acknowledged to be kings.
- vi. Lastly but not the least, the Diversification Strategy, Penetration Strategy and Consolidation Strategy of the firms should continue. Bearing in mind that, competition is continuous and only strategic businesses can win and remain in business.

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Reference to this paper should be made as follows: Adeoti, M.O. *et al.*, (2013), A Study on Survival Strategies of Small and Medium Enterprises in Kano Metropolis for the Period 2005-2010. *J. of Business and Organizational Development Vol. 5, No. 2, Pp. 49 – 61.*
