

Understanding Survival Strategies in Micro and Small Enterprises In Nigeria: A Brief Review of the Literature

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Abstract: Empirical evidence overtime shows that micro and small enterprises are more susceptible to changes in their external environment due to their smallness and other peculiarities associated with them such as inadequate skill sets/manpower, lack of financial capacity, short-term orientation and necessity-entrepreneurial approach to business activities. In order to answer the question of how some MSEs survive the harsh economic environment in some developing African economies, we conducted a brief review of the literature to increase our understanding their approach to surviving difficult times. This article presents a brief review of the literature using the Sarasvathy's Theory of Effectuation to create an understanding of the survival strategies of micro and small -scale enterprises (MSEs) during turbulent times. The article recommends that managers of MSEs are required to develop a problem-solving intuition that helps to either avoid, be passive

or active towards business challenges. Moreover, the aid of strategic alliances and industrial clusters, can also be very beneficial in surviving environmental turbulence and uncertainties.

Keywords: Survival Strategy, MSEs, Business Environment, Developing Economy

Introduction

The business environment in any country across the globe is usually deemed dynamic and difficult, especially for Micro and Small Enterprises (MSEs) and there are various reasons adduced for this. These MSEs that contribute to their national economies constitute a large number of businesses in existence in developing countries, but do not seem to grow at the rate they should especially because of three main factors, which are poor infrastructure, corruption and insecurity (Kauffmann, 2005). In the Nigerian business environment, MSEs face a plethora of challenges in addition to the earlier listed three that hamper their growth such as lack of patronage from clients and customers, lack of favourable government policies, lack of the requisite managerial skill sets, lack of access to funds, amongst others (Okpara & Wynn, 2007; Ibidunni, Olokundun, Oke & Nwaomonoh, 2017). Just as these MSEs are struggling to cope with these different issues that they have to surmount in order to grow their businesses to global or at the least national brands, they are faced with extremely difficult business environment to navigate. This is important because MSEs play a significant role in the economic development of most global economies. They are pivotal to increasing entrepreneurial activities, though, mostly in the informal sector of developing economies in Africa and beyond (Babajide, Olokoyo & Taiwo, 2016; Wale-Oshinowo & Lebura, 2017).

However, despite the incessant records of their positive contribution to economic growth through increasing the number of start-ups and employment creation, they remain vulnerable to the economic instability of most developing economies.

To overcome the challenges faced during such turbulent times, these businesses have to craft strategies that would help them survive and achieve their set goals of becoming successful enterprises that would further contribute to national development. As a result, this paper explores the literature with the aim of giving a brief exposition of some strategies used by MSEs to overcome the challenges that stand as a barrier between them and their set targets.

Concept of Survival Strategies

Nowadays, ventures are hugely managed with the hope to either survive or die while ensuring to make ends meet. However, the need to survive also comes with certain survival strategies which entrepreneurs engage with, pending the successful amelioration of any trying circumstance or season.

According to Sahler and Carr (2009); Stroe, Parida and Wincent (2018) survival strategies refer to some distinct efforts, both psychological and behavioural that are often introduced by individuals or organisations to tolerate, reduce, master, minimize stressful events or manoeuvre their ways out of trying periods. In addition, the survival strategies are not fixated as it were, just like it is for individual personality traits

(Marina, Antonio & Jose, 2018), but can be explicitly taught or learnt via modeling.

While micro and small enterprises (MSEs) are faced with limited access to financial resources, strong managerial capabilities, technology, specialized skills and the basic infrastructures, etc they somehow create several opportunities arising from diverse ideas and the available information (Read, Song & Smit, 2009), in order to accommodate and or deal with their challenges as a form of survival strategies during such hard times (Brettel, Mauer, Engelen & Kupper, 2012).

Sahler and Carr (2009) classified the survival strategies into three categories, namely avoidance (trying to be less emotionally attached to a challenge), passive survival technique (partly sensitive to a challenging occurrence) and active survival technique (totally and emotionally attached to a challenging period). Howbeit, Sarasvathy (2001) described the survival strategies focusing on problem-solving and emotion-focused approaches. In this case, the problem-solving strategy ensures that the entrepreneur becomes actively responsible to allay the challenging situations while the emotion-focused survival strategy involves the effort to regulate emotional consequences of stressful or potentially stressful occurrences.

Theoretical Framework

The theoretical underpinning of the study is based on Sarasvathy's theory of effectuation. The theory gave a scientific solution to an age-long question of what entrepreneurial activities entail, by creating a distinction

between managerial activities and entrepreneurship processes.

Effectuation thus, refers to the ability for an entrepreneur to reason out solutions for solving problems with the assumption that the future cannot be predicted but can be controlled through human actions (Parida, George, Lahti & Wincent, 2016). On the other hand, the concept of causality however, believes that the future can be theoretically determined based on past events.

Meanwhile, Welter and Kim (2018) found out from a research conducted that beyond the conditions of uncertainty, an application of effectuation is effectively relative to causation in certain risky contexts, until the entrepreneur is able to correctly predict the future and get properly positioned for the same. In the argument of Sarasvathy (2001), casual thoughts first begin with an end in mind which the individual tries to translate into reality using various means. The researcher also believed that majority of the contemporary managers are not entrepreneurs but are just causal thinkers who strive to ensure that their thoughts come to fruition by all means. In other words, managerial thinking (causal) is based on a given goal through a given means but entrepreneurial thinking (effectual) is based on an imagined end through a given means. Stuart *et al* (2009) and Brettel, Bendig, Keller, Friederichsen and Rosenberg (2014) added that even though the entrepreneur had access to a wide range of means, only the ones relevant to his business can be regarded as the effectual means to the desired end. Therefore, entrepreneurs must ensure to make do with the available resources as much as possible while

forging ahead through the various learning processes.

Sarasvathy (2008) in Chandler, DeTienne, McKelvie, and Mumford, (2011) further noted that with the an effectuation process, entrepreneurs often experiment with various alternatives in which potential losses in the worst-case scenario are affordable, they use pre-commitments and strategic alliances in an attempt to control an unpredictable future, and they remain flexible so as to take full advantage of the changing environmental contingencies. Meanwhile, the causation process according to the researchers, and based on Sarasvathy (2001 & 2004) in Dave (2015), description include envisioning the end from the beginning, maximizing expected returns, business planning and competitive analyses to predict an uncertain future, and exploiting pre-existing knowledge.

The theory has four major guiding blocks for the survival of micro and small firms which include the need for businesses to be kick started with the available resources rather than having to wait for a perfect condition, the idea of affordable loss that is, the ability of an entrepreneur to properly measure the upside opportunities against worst cases, leveraging contingencies, and building strong partnerships through networking (Villani, Linder & Grimaldi, 2018: Marina *et al*, (2018).

The effectuation theory has been applied to explain internationalization decision of micro and small firms (Kalinic, Sarasvathy & Forza, 2014). Internationalizing entrepreneurs can reduce the possibilities of business failure and the risk of losing huge financial and non-financial investments by adopting the affordable loss principle of the effectuation theory. Effective

firms are regarded as those that plan new investments based on resources available and predetermining the limited amount of loss that they can afford in an unpredictable business environment, rather than simply following a causal decision making process. Thus, this notion is consistent with the reasoning of Sahler and Carr (2009), that under certain conditions where micro and small entrepreneurial firm managers are not well knowledgeable about the surrounding business situations, an avoidance strategy might be a best alternative. Moreover, Dew, Read, Sarasvathy, and Wiltbank (2008) have argued that effectual firms are more likely to discern opportunities out of their capacities to experiment with the usage of resources in many different ways.

Some Empirical Evidences

The works of Fadahunsi and Peter (2002) flagged off some illegal business activities commonly engaged world over, and with particular emphasis on the Nigerian cross-border trade. The authors referred to such illegal business activities as the darkest part of entrepreneurship, which is associated with the dearth of proper orientation on the purpose of entrepreneurship coupled with the challenge of age-long illegality and a corrupt society. The amount of illegal practices ranges from evading of duties in the form of bribery thereby heightening the risks of law enforcement to negligible levels. By this practice, even the distinction between legal and illegal goods appears blurred and irrelevant. Entrepreneurs in such situations become more ardent about their targets of high profit margins regardless of their legal status. Fadahunsi and Peter (2002) also noted that the illegal trade in a way opened up

new platforms for the creation of more businesses and job opportunities, which enabled the traders to also carry out their activities ‘successfully’ in the climate of corruption, harassment, and uncertainty.

From the foregoing, knowing that a turbulent period is often associated with situations of extreme uncertainties, one should ordinarily expect that majority of entrepreneurs would adopt various legal and illegal survival strategies and by whatever means to keep afloat (Akanji, 2012).

Managerial Implications

This research work focused on discussing the survival strategies of micro and small enterprises. The study was deeply rooted in Sarasvathy’s (2001) theory of effectuation. Considering the global economic challenges coupled with the tough competitiveness and volatility that are associated with most economies of the world, micro and small enterprises’ chances for growth and survival are greatly threatened. This informs the need to adopt strategies that ensure their survival. Consequently, managers of such firms are required to develop a

problem-solving intuition that helps to either avoid, be passive or active towards business challenges (Sahler and Carr, 2009; Chetty, Ojala & Leppäaho, 2015). Moreover, the aid of strategic alliances and industrial clusters, can also be very beneficial in surviving environmental turbulence and uncertainties (Jevwega *et al*, 2018).

Conclusion

This study contributed to knowledge by elaborating the survival strategies of micro and small enterprises. The study established arguments based on a review of Sarasvathy’s theory of effectuation. Following the findings from literature, the study concludes that micro and small enterprises are generally confronted with uncertainties and slimmer opportunities for survival and growth in the present business economy. Therefore, strategies such as strategic alliances and industrial clustering are essential to enhance their chances of survival. Moreover, entrepreneurs must be disposed to intuitive decision making that help them either to avoid, be passive or active towards business situations.

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