



POST-PANDEMIC SUSTAINABLE STRATEGIES FOR NIGERIAN SMALL- AND MEDIUM-SIZED ENTERPRISES

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ABSTRACT: *The sustainability of small and medium enterprises (SMEs) has gained much attention from policymakers and scholars in the past decade. Undoubtedly, the emergence and corresponding consequences of the COVID-19 pandemic have ignited much inquisitiveness from researchers regarding the sustainability and viability of small- and medium-sized enterprises. Consequently, this study carried out an empirical exploration of feasible strategies that can be utilized and employed by SMEs in Nigeria in the post-COVID-19 endemic era. In the course of the study, four SME sustainable strategies were developed from the analysis conducted thematically, namely cost-minimization measures, mastering customer relationship dynamics, creativity and innovation, new-culture embrace and collaborative strategies. The findings derived from the study are expected to be of great assistance to practitioners and policymakers in making thorough and comprehensive decisions that are related to the sustainability of SMEs in Nigeria anchored on empirical evidence.*

KEYWORDS: Pandemic; COVID-19; Strategies; Sustainability; SMEs.



INTRODUCTION

Changes in the business climate have made it challenging for SMEs to function efficiently and successfully throughout the years. As a result, both developed and emerging nations have seen the poor performance and failure of numerous SMEs. This condition of things has prompted a greater knowledge of the long-term viability of SMEs. Notably, considering the significance that SMEs have played in the economy, the sustainability of these firms has been of fundamental importance over the years (Klewitz & Hansen, 2014). These businesses have been struggling mightily, and the emergence of the COVID-19 epidemic has exacerbated the already precarious situation of SMEs throughout the world. According to Klewitz and Hansen (2014), notwithstanding a rise in the number of SMEs, many of them have failed to thrive or sustain themselves for more than five years due to changes in the external environment.

Given the changes that have occurred throughout time, the challenges of survival, productivity, and sustainability have remained relevant in the SMEs sector. Given that the business environment is not static, Sannegadu (2020) explicitly said that transformation is the only permanent thing in the existence of every firm or business. This reflects that reality for several small and medium-sized enterprises as a result of the COVID-19 epidemic, which has shattered the regular fabric of business conduct.

It is widely acknowledged that SMEs make significant contributions to both emerging and developed nations' long-term economic development and growth. Given that youth unemployment has been expanding globally since 1997, SMEs have played a crucial role in absorbing jobless youths, particularly graduates (International Labour Organization, 2017). This trend has encouraged young people all across the world to establish their own enterprises. SMEs, according to Dzingirai (2020), are lauded for combating youth unemployment. Despite their importance in terms of self-employment, SMEs have sustainability difficulties that threaten their survival, particularly in developing nations.

Furthermore, SMEs are critical in the battle against poverty. People can produce a source of income by creating new businesses which can help them eliminate or lessen poverty (Dzingirai, 2021). Notably, Majukwa (2019) emphasized that SMEs provide a significant contribution to the Gross Domestic Product (GDP) of many developing nations, including Nigeria. Surprisingly, SMEs contribute considerably to exports since certain SMEs, particularly in the mining industry, are increasingly focusing heavily on export operations. Despite the fact that it is extremely difficult for SMEs to survive beyond five years of operation, they are regarded as a breeding ground for large corporations. Finally, SMEs are critical to creativity and innovation. Despite the numerous benefits of SMEs, it is concerning that many SMEs are suffering sustainability issues, particularly in light of the COVID-19 epidemic.

The scholarly arguments surrounding the sustainability of SMEs within the framework of SMEs highlight the importance of deepening our understanding of sustainability challenges, particularly in the post-COVID-19 age. Surprisingly, little is known about post-COVID-19 pandemic sustainability plans for SMEs, particularly in Nigeria. Keeping this in mind, the aims of this research are to analyze global discussions on the COVID-19 pandemic and the sustainability of SMEs, to evaluate the issues that SMEs face as a result of the COVID-19 pandemic and to propose sustainability solutions for SMEs in the post-COVID 19 age. Surprisingly, this paper includes a research agenda for the future.



CONTEXT AND LITERATURE REVIEW

An Overview of the Nigerian Economy in Terms of Micro, Small, and Medium Enterprises

There are 41, 543, 028 Micro, Small, and Medium Enterprises (MSMEs) in Nigeria, accounting for 99.8 percent, 0.17 percent, and 0.004 percent respectively, with Lagos, Osun, and Oyo having the greatest number of SMEs (NBS, 2017). SMEs account for 48 percent of national GDP, 96 percent of firms, and 84 percent of employment. Micro firms are tiny businesses with fewer than ten people and assets worth less than five million Naira (excluding land and buildings). Surprisingly, single proprietorships account for the vast majority of micro-businesses. SMEs, on the other hand, have more distributed ownerships, with 65 percent as sole proprietorships, 21% as private limited liability companies, 6% as faith-based ownerships, and 5% as partnerships (NBS, 2017). Because the majority of businesses in Nigeria are micro-enterprises, any business and economic shock would unavoidably touch numerous sectors and the livelihoods of many residents.

As the globe grapples with how to restrict the spread of the COVID-19 epidemic and minimize its impact within their borders, governments are debating how to go about it (Obiakor, 2020). To restrict the spread of the virus, the government has implemented a variety of measures, including the shutdown of airports, schools, markets, and religious centers, among others. The Federal Government of Nigeria began the closure on March 30, 2020 with the Federal Capital Territory, Lagos and Ogun States receiving the first share being the states with the most COVID-19 cases in the country (Presidential Task Force on COVID-19, 2020).

These closures, while necessary, had a negative impact on all industries and parts of the country (Obiakor, 2020). When compared to medium and large organizations, micro and small businesses witnessed a greater drop in business activity (Lakuma et al., 2020). This might be because a lot of micro and small enterprises in the nation temporarily ceased operations owing to their inability to implement preventative health measures, such as establishing physical separation and supplying sanitizers, water, and soap to consumers (Lakuma et al., 2020). The economic slowdown in Nigeria was driven by a combination of dropping global oil prices and the economic fallout from the COVID-19 epidemic, which not only reduced demand for oil products but also halted economic activity when social distancing laws were implemented (Ozili, 2020).

According to Adenomon et al. (2020), who studied the effects of the COVID-19 outbreak on the Nigerian Stock Exchange's performance using Evidence from GARCH Models from January 2, 2020 to April 16, 2020, profits in Nigeria plummeted during the COVID-19 period under study as compared to the normal pre-COVID-19 results. The work of Chukwuka and Ekeruche (2020) on the impact of the COVID-19 outbreak on the Nigerian economy shows that the pandemic has truncated the Nigerian economy's 2.5 percent GDP growth, leading to a higher increase in the nation's debt servicing to revenue ratio at 60 percent amid falling oil prices.

Nigeria has been badly impacted by the spread of COVID-19 and the resulting dramatic drop in oil prices (IMF, 2020). According to the World Bank (2020), the rapid and large shock of the coronavirus pandemic, as well as the shutdown measures to contain it, have pushed the world's economy into a severe economic downturn, with the global economy deemed to have



dropped by 5.2 percent in 2020. While advanced nations' economic activities are likely to fall by 7% in 2020 due to disruptions in domestic demand and supply, trade, and finance, emerging market and developing economies (EMDEs) are expected to fall by 2.5 percent in the same year (World Bank, 2020).

Challenges of COVID-19 Pandemic on SMEs

The globe has been besieged by an unprecedented COVID-19 pandemic, which has progressed from a health catastrophe to an economic disaster. Scholars repeat that small and medium enterprises throughout the world are the most prominent victims of the ongoing pandemic and economic crisis (Fitriasari, 2020; Bourletidis & Triantafyllopoulos, 2014). As a result, small and medium enterprises experience difficulties cutting across crises in health, economy, and business, as governments at all levels struggle to restrict the spread of the virus and eventually restart the economy.

As a result, Vandenberg (2020) identifies some of the major challenges that small and medium enterprises face as follows: lack of operational cash flow, that is, most of the surveyed small and medium enterprises in Lagos State have a shortage of cash reserves for less than a month; decrease in customer demand for goods and services due to economic downturn; business failure due to government shutdown policy initiatives to help stop the transmission of the infection to other parts of the country; and reduced opportunities.

Strategies for SMEs Sustainability

Many SMEs in Nigeria have been adversely affected by the emergence of the COVID-19 pandemic and this necessitated the suggestions for the following sustainability strategies. These strategies are anchored on existing literature and are considered to be scientifically based.

Cost Minimization Strategy

Cost minimization is a financial approach that seeks to find the most cost-effective means of supplying products and services while maintaining the required level of quality. It is critical to remember that cost cutting does not imply sacrificing quality or disappointing customers. It is always critical to suit the demands of the consumer. Businesses must respond promptly to the advent of the COVID-19 pandemic and put safeguards in place to control the fatal disaster. Current business continuity strategies may be ineffective in dealing with the rapidly expanding COVID-19 problem. As a result, the owners of SMEs should make use of statistical and efficiency softwares like Data Envelopment Analysis Frontier, MATLAB and Shazam to determine optimum cost levels. However, these SMEs should endeavour to register for training on how to make use of these cost-minimization softwares.

Customer Relationship Strategies

Customer relationship management (CRM) is gradually becoming acknowledged as a corporate approach for efficiently understanding, managing, and maintaining customer relationships using modern Information and Communication Technology. Because of the rapid growth of customer relationship management systems, an increasing number of SMEs (small- and medium-sized firms) are attempting to deploy CRM in order to survive and compete in the global marketplace. As a result, SMEs in Nigeria should aggressively use CRM to advance their operations in the post-COVID-19 environment. It was discovered that many SMEs



neglected this component, leaving it to larger organizations and businesses. This is supported by the findings of Amir, Sayyed and Mohammad (2015), who investigated the impact of customer relationship management (CRM) on the performance of small- and medium-sized businesses (SMEs). This study's statistical population consists of managers working in Mashhad's industrial park. This study's statistical sample consists of 105 managers chosen at random among the managers of an industrial park in this city. The library method was used to collect data. In this study, the survey technique and questionnaire were used to determine the influence of factors, and data was analyzed using AMOS18 and SPSS19 software. CRM has a considerable impact on company performance, according to the findings.

Creativity and Innovation

No SME stands a chance of survival without the inclusion of creativity and innovation. The world is dynamic and businesses should flow with this era of dynamism. Creativity is the capacity to generate fresh ideas and uncover new perspectives on challenges and possibilities. The capacity to apply innovative solutions to issues and opportunities in order to improve or enrich people's lives is referred to as innovation. According to a Harvard professor, Theodore Levitt, creativity is thinking new thoughts and innovation is doing new things. In a nutshell, entrepreneurs thrive by imagining and executing new or old things in novel ways. According to Kacker (2005), today's companies are knowledge-based, and their success and survival rely on creativity, innovation, discovery, and inventiveness. A successful response to these pressures results in inventive transformation in the organization to ensure its survival. Successful entrepreneurs should generate ideas and then figure out how to make them work to solve an issue or meet a demand. Creativity and innovation are critical to an organization's success and survival in a world that is changing faster than most of us can conceive. That is true for both large and small enterprises.

New Culture Embrace

The emergence of the COVID-19 pandemic changed the way many things are done, including how businesses should be structured. However, many SMEs are yet to come in real terms with the new culture introduced by the COVID-19 pandemic (Daniel, 2021). The COVID-19 pandemic has called for a new system of doing business where customers may not have to be in physical contact for transaction to take place. It has also brought in a challenge where business owners will have to create a platform to convince a customer over the authenticity, availability, and serviceability of a product or service without much physical contact with the buyer(s). This therefore entails that business owners should rigorously create an online presence in running their business. Hence, embracing the new culture introduced by the pandemic is one of the sustainable strategies that should be utilized by the SMEs in Nigeria. Chivasa (2014) asserts that SMEs should embrace change management and also incorporate sporadic changes in their business culture overtime.

Global Adoption Strategy

In addition to the suggested strategies, the world is now globalized to the extent that SMEs in Nigeria can copy the post-pandemic strategies adopted by other SMEs around the world. This is made possible through the internet and academic-writings/articles produced from such countries. Techniques can now be copied given the advent of globalization. On a large scale, this was the strategy adopted by Japan that moved them from a semi-developed country to a



developed one. This same strategy should be adopted by SMEs in Nigeria so as to thrive through this post-pandemic period and ensure business sustainability.

Business-Oriented Capacity Building

“Knowledge is Power!” “Local Knowledge is more powerful!”. Owners of SMEs, in addition to borrowing ideas from the strategies adopted by other SMEs around the world, should also learn to utilize ideas shared in local conferences that are aimed at empowering SMEs in this post-pandemic era. This is because local content/intelligence carries a unique pattern of knowledge that suits the local environment. The owners of SMEs in Nigeria should not be indifferent towards attending programs, conferences or other presentations that are organized for this purpose. This will equip them with strategies that are not provided for by experience.

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