

**FAILURE OF SMALL SCALE BUSINESS IN NIGERIA:
CAUSES AND SOLUTIONS
(A CASE STUDY OF SELECTED FIRMS IN ENUGU STATE).**

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**DEPARTMENT OF MANAGEMENT
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA
ENUGU CAMPUS**

SUPERVISOR: PROF U. J. F. EWURUM

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AWARD OF MASTERS DEGREE IN BUSINESS ADMINISTRATION
(MBA)**

SUPERVISOR: PROF U. J. F. EWURUM

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APPROVAL PAGE

The Department of Management, University of Nigeria, Enugu Campus has approved this project.

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CERTIFICATION

This is to certify that I MANDAH CHIDINMA .W.A. a Post Graduate Student in the Department of Management with Registration Number PG/MBA/10/54591 has satisfactorily completed the project research in partial fulfillment of the requirement for the award of Masters Degree in Business Administration (MBA) in the Faculty of Business Administration, University of Nigeria, Enugu Campus.

.....
MANDAH CHIDINMA .W.A

DEDICATION

This work is dedicated to God Almighty for His strength, wisdom and enablement in the course of my programme.

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ABSTRACT

This study is set to investigate the causes of failure in small scale enterprises in Nigeria, with a view to proffer solutions. In every economy there are simple system as well as complex one. At the simple stage of organization, ownership of business is not always distinct from management; this means that supervision of the business is in the hand of the owner. When the scope of business organization increases, it becomes very difficult for one person to co-ordinate, direct and control. At this point, that ownership and management becomes differentiated. Therefore, it becomes very difficult for the owner to supervise the business enterprise. It will be easier here for management to pursue goals that are different from the objectives set by the owner; which brings about conflicting objectives that can result in business failure. In Nigeria, it will be difficult to believe that a small-scale business enterprise that is owned and managed by the owner can collapse within a twinkle of an eye. Is it as a result of finance, management inefficiency or government policies? This is what the research work is set to uncover. Based on the findings, the researcher concluded that the failure of government in providing a conducive business environment has affected the performance of small scale business also poor management of resources in no small measure has equally affected the growth of small scale business in Nigeria. Therefore, the researcher recommends that government should try as much as possible to provide a stable and conducive environment and hence organization's should ensure that both human, capital and material resources are effectively utilized.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Small and medium sized enterprises (SMEs) are the backbone of virtually all economies of the world because of their role in employment creation and provision of personalized services (Wattanapruttipaisan, 2003). SMEs have strong influence on the sustainable development process of less developed as much as developed countries because they foster economic growth and alleviate poverty (Ayyagari, Beck and Demirguc-Kunt, 2003). Udechukwu (2003) asserts that the development of SMEs is an essential element in the growth strategy of most economies and holds particular significance for developing countries like Nigeria.

The best performing economies in Asia are heavily based on SMEs which are major sources of dynamism in economic development. The requirements for SMEs to access the global market and upgrade their position within the international market as a result of trade liberalization are becoming increasingly difficult due to competition (Abonyi, 2003). Berry (2002) suggests that the increasing prevalence of flexibility and specialization of SMEs has persuaded many business analysts to believe in the strategic role SMEs play in the industrial structure of any developing nation. But he noted that SMEs are quite vulnerable to external shocks due to the global competition from the liberalization of trade. There is reasonable assurance that given favorable policy environment, SMEs can successfully compete in the global market (Briggs, 2007).

Most governments, especially in Less Developed Countries (LDCs) now recognize the need to formulate policies that create conducive atmosphere for the establishment and operation of SMEs. The new emphasis by various governments in LDCs on SME development can be linked with the current global trend of economic liberalization and the need to bridge the development gap that hitherto exists between them and industrialized countries. Governments in developing countries, especially in Nigeria, provide a wide variety of programs to develop and assist SMEs. Despite these programs, it has been observed that their impact on the performance of SMEs has been less than satisfactory (Manbula, 2002). This can be attributed to some factors that governments and policy makers in developing countries have failed to put into consideration in the design and implementation of SME development programs.

Most SMEs either remain small, moribund or shut down within few years of operation due to some constraints that hinder their growth, especially finance (Rodriguez and Berry, 2002). There is no available evidence in Nigeria that the situation has improved with economic liberalization (trade and financial market) that brought about stiff competition from well established Multinational Corporations (MNCs). The proponents of economic liberalization claim that it improves the situation of SMEs by giving them better access to finance and encourages competition which will in turn reduce poverty (Tagoe, Nyarko and Anuwa-Amarh, 2005). This paper focuses on the manufacturing SMEs in Nigeria and the programs designed by the Nigerian government for the development of SMEs.

It develops the argument that government programs for SMEs development are not properly implemented which has hindered SMEs competitiveness. The institutional

structures upon which these programs can function effectively are either not in place or insufficient. This has resulted in a biased economic environment for SMEs to compete with well established MNCs under a liberalized trade environment.

This research work on “The failure of small-scale Business in Nigeria; Its causes and solutions” with a study of selected companies in Enugu State is conducted to proffer solutions by way of recommendations to the problems of small scale business.

1.2 STATEMENT OF THE PROBLEM

There are a lot of problems which this research work seeks to address. It is in agreement with certain experiences that the inability of the management of the small scale businesses to determine causes of failure may have led to unproductively. Also it is perceived that the inability of the management to develop policies for solving the problem of small scale businesses may have reduced the profitability of such enterprises. Indeed, nothing weakens organization more than when management develops poor attitude to personnel training. Experiences show that the poor attitude of the government to creation of conducive environments for business may have reduced the chances of survival of small scale enterprises. The inability of works to implement management policies just as experiences have shown, may have led to unproductivity.

Again poor financial management strategies may have aggravated the situation just as the perceived inability of management to employ competent personnel may have led to unproductivity. Above all, the poor marketing strategies of most

organizations just as experience can show may not have helped matters. It is in view of this problem that this research work is conducted.

1.3 OBJECTIVES OF THE STUDY

This work is conducted to achieve the following goals or objective

1. To determine the causes of failure of small scale businesses.
2. To find out whether government creates a conducive environment for small scale businesses.
3. To determine whether workers do not implement management policies in small scale businesses.
4. To evaluate if finance options affect small scale businesses.
5. To determine whether the employment of incompetent hands leads to small scale business failure.

1.4 RESEARCH QUESTIONS

In order to address the above stated problem, the following research are essential, hence they are reflected in the questionnaire.

1. What are the causes of small scale business failure in Nigeria?
2. Does the government provide conducive environment for Small Scale business?
3. Do workers implement management policies?
4. Does finance options affect small scale business?

5. Does the employment of incompetent hands lead to the failure of small scale business ?

1.5 RESEARCH HYPOTHESIS

The hypotheses stated earlier in this research work are:

Ho: The causes of Small scale business failure is low

HI: The cause of Small scale business failure is high

Ho: There is no proof that government can create a conducive environment for Small scale business.

H2: There is proof that government can create a conducive environment for Small scale business.

Ho: There is no evidence to show that workers implement management policies in small scale business.

H3: There is evidence to show that workers implement management policies in small scale business.

Ho: There is no significant relationship to show that finance option can affect Small scale business.

H4: There is a significant relationship to show that finance option can affect Small scale business.

Ho: There is no evidence to show that the employment of incompetent hands lead to the failure of small scale business.

H5: There is evidence to show that the employment of incompetent hands leads to the failure of small scale business.

1.6 SCOPE OF THE STUDY

It is the desire of the researcher to investigate into the causes and solutions to the failure of small scale businesses in Nigeria as it affects all organization. But/due to time and financial constraints, the researcher has chosen Nourisher Bakery, Tasco investment, Ozo Ekwem furniture, Nelo Tailors, Francis foods and Nucon Ventures as case study firms. It cannot also be said that it is only the factors or points given in this work that will cause the failure of small scale businesses in Nigeria.

1.7 SIGNIFICANCE OF THE STUDY:

Information gathered from the study could be used by Managers of Small and medium Scale Enterprises for planning appropriate measures for business growth and survival as well as the effective allocation of resources. To students in every higher institution of learning, it will provide them with some vital information concerning strategies for small scale business survival. Also, it will provide basis for which further research could be conducted. Finally, it is believed that this research study will be of great use to general public by expanding their knowledge on small scale business.

1.8 LIMITATIONS OF THE STUDY

A lot of constraints were encountered in the course of carrying out this research work. The researcher lacked sufficient resources to face the challenges of this research work. It was not easy to source for the adequate material to be used to carry out this research. Ineed the researcher found it difficult to collect certain information from the management staff of the organization and it was quite uneasy to educate the respondents on the best ways of filling the questionnaire.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Historical evolution of Small Scale Business in Nigeria

According to Ubom (2006) and Olagunju (2008), the history of small scale business in Nigeria can be traced to the period of our forefathers who were engaged in local farming and trading. At first, they went into farming in order to satisfy their immediate needs, which is known as subsistence. They did not have to

sell any of their produce to others; neither did they have to render any services to others. They consumed all they produced. As the country got populated by more people, and given the divergences in human talents, natural and geographical endowments, coupled with the inability of these farmers to satisfy other needs, they then, diversified into other craft trades to provide their other needs. The resulted to the growth of small business activities.

With the coming of the European missionaries and later traders, the scope of and form of indigenous enterprise changed. The activities of the Europeans opened up many places that were not known. This made people to go from place to place to trade and with this, market sprang up. Many organizations sprang up too. They helped in expanding the frontiers of small businesses. Notable among those organizations is United Trading Company (UTC). UTC came to trade and tap resources in the country. In their desire to trade, they entered into trade alliances with indigenous people. This gave the people experience and background to establish enterprises of their own.

With the attainment of independence of Nigeria in 1960, the government of the country came to realize the need for accelerated economic development of the country through indigenous participation. This came with the understanding that political independence is not without economic independence. Accordingly, various governments, since independence have fashioned out programmes, policies and laws aimed at encouraging small businesses among the people. Among such efforts is the creation of defunct Nigeria Industrial Development Banks (NIDB) in 1964 to provide loans to entrepreneurs for the development of small businesses.

In 1972, the Nigerian Enterprises Promotion Decree No. 4 of February was promulgated. The decree has the objective of promoting indigenous enterprises and to make Nigerians have greater stake in the economy of the country. The indigenization decree actually brought some developments to small businesses in Nigeria. Many agencies were established to aid the effective implementation of the policy. Example is the defunct Nigeria Bank for Commerce and Industries (NBCI), which had been merged with NIDB to form the new Bank of Industry. However, the policy could not fully realize its objective because of various factors, among which were the political instability in Nigeria, and the problem of bureaucratic bottleneck, which thwarted some government's programmes. Successive governments, having discovered the same problem that led to the birth of the indigenization policy, had been making other efforts towards the promotion of small businesses. In spite of these policies and programmes, the state of the Nigerian economy was not enhanced.

This hopeless state forced the government to introduce the Structural Adjustment Programme (SAP) in 1985. The programme was aimed at saving the economy from total collapse through liberalization of the economy, which allows greater private initiative. The programme wanted to make small businesses to play greater role in the economy than before. Consequently, many enterprises were opened up for private participation. It was this that made small businesses go into various trades like banking, manufacturing, retail trade etc. There has also been increase in government efforts aimed at revamping small businesses. Among were the National Directorate of Employment (NDE), Working for Yourself Programme, Small And Medium Enterprises Development Agency of Nigeria (SMEDAN), the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).

All these programmes and schemes are established to promote the development of small businesses in Nigeria. They were adopted to address the lingering problem of inadequate funding of small businesses in the country. These efforts have led to the establishment of many enterprises especially small ones all over the country. For example, the pure water business found in many places today, the phone business, computer business centers, etc.

2.1 THE CONCEPT OF SMALL AND MEDIUM SCALE ENTERPRISES.

There is no unique international or national identification of small-scale business. Therefore, the meaning of small-scale business varies from one country to another from one industry to another even within the same country. Accordingly some people undoubtedly consider all business that led no more than a specified number of employees of (5) or (10) to be small. Other believe that a small business is one that operates only in the local market area. Still others classify business as small by the kind of firm such as the local stores, dress shop, shoe makers at the corner of the street. Most people agree that the neighboring beer parlours and provision stores are small business while Bottling Company, UAC groups of Companies and Nigeria Breweries Plc are big businesses. The above views of people gave rise to controversy as to where to draw the line between big and small businesses.

According to Cole (1971), small scale business “Is a business that is owned, managed, controlled by one or two persons, is firmly influenced in decision making, has an undifferentiated organizational structure, has a relatively small share of the market and employs less than 50 people. The small scale business Act 1953 (USA) provides that a small business concern is one which is independently

owned and operated and dominant in its field of operation (Broom and Long Recker 1986:11). The Committee on Economic Development of the United States of America offers a definition which states that a business will be classified as small if it meets two or more of the following criteria (Broom and Longrecker 1986:12). They are:

1. Management is independent. Usually the managers are also owners.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operation is mainly local workers and owners are in one home or community, markets used not be local.
4. The size of the firm is small relative to industry.

In Nigeria, the Nigerian Bank for Commerce and Industry (NBCI) defines small scale business as one with total capital not exceeding N750,000, excluding cost of land but including working capital. Only one common term-number of employees is common in all the above definitions. While other definitions in the industrialized nations emphasize the term –annual turnover-measuring earned income, the Nigerian definition emphasize the term capital invested. This shows the trend of government effort in making only capital or fund available to small scale business in Nigeria to the neglect of other vital complementary environmental factors.

2.2 FEATURES OF SMALL SCALE BUSINESS

Small scale business have certain characteristics which distinguish them from large scale businesses and justify separate analysis of them in development. Okoye

(2002:67) pointed that the characteristic of small scale business were summoned after a review of a report of financing of small scale industries in Nigeria by sub Committee of the National Advisory Committee on small scale industries development under the chairmanship of DR. A.O.Oguntoye and other relevant authorities.

The following characteristics were given by the report cited above:

- The number of small scale business are usually many when compared with large-scale businesses due to the fact that relatively small amount is required to start off.
- There is no much specialization because the manager or owner handles the financing, production, marketing and personnel of the enterprise.
- Management of any small business is usually independent.
- The owner-manager knows and is known by all employees in the firm.
- The small scale business is operated like a sole proprietorship.
- They engage in the production of light and consumer oriented goods.
- They have little or no accounting records.
- The rate of business mortality is high probably because of strong mutual distrust, which militates against formation of partnerships or limited liability companies.
- In terms of investible fund, scale of operation and number of people employed, the size of the business is relatively small.

2.3 ECONOMIC CONTRIBUTIONS OF SMALL AND MEDIUM SCALE BUSINESS IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY.

Copious literature exists on Small and Medium Enterprises (SMEs) written by various authors and in different languages and for various purposes. This fact underscores the essence, importance and relevance of this sub-sector in the development of any given economy. The experiences of developed economies in relation to the roles played by SMEs buttresses the fact that the relevance of SMEs cannot be overemphasized especially among the Less Developed Countries (LDCs) or rather Developing Countries.

In order to highlight the significance of SMEs in relation to the growth and development of a given economy, SMEs have been variously referred to as the “engine of growth”. This stems from the fact that almost all countries that have focused on the SMEs sector and ensures its vibrancy have ended up succeeding in the significant reduction and its attendant enhancement in the quality and standard of living, reduction in crime rate, increase in per capita income as well as rapid growth in GDP among other salutary effects. There is a consensus that if all stakeholders are to show serious commitment to the development of the SMEs sub-sector, it follows that the economy must necessarily witness meaningful transformation and prosperity. A dynamic SME sub-sector is vital and imperative for the overall economic development of the country. Aside from providing opportunities for employment generation, SMEs help to provide effective means of curtailing rural-urban migration and resource utilization. By largely producing intermediate products for use in large-scale companies, SMEs contribute to the strengthening of industrial inter-linkages and integration. A vibrant, efficient and effective SME sub-sector generates many resultant benefits for stakeholders, employees, customers, employers as well as the entire economy’s benefits.

Employees require new skills and knowledge to improve their performance on the job and to compete with their counterparts in other parts of the world. Customers on their part tend to enjoy personalized service and attention because of the keen competition, focus and innovation, which characterize the operations of SMEs. Employers or rather SME entrepreneurs on the other hand are either motivated or compelled by competition to learn and broaden their knowledge and skills in order to meet up with the challenges of maintaining good relationship with their financiers (banks and other financial institutions), auditors, regulators and even their competitors.

They achieve this by belonging to and participating actively in the activities of appropriate chambers of commerce, trade groups, various forums, exhibitions, etc where ideas, new concepts and knowledge are shared and discussed. The bottom line of all these is that the relevant SME would remain efficient and profitable and hence contribute to the growth and development of the entire economy. SMEs have no doubt been indeed recognized as the main engine of economic growth and development, a major variable for promoting private sector, development and partnership. Various governments, development agencies and experts as well as multilateral institutions do appreciate this fact such that they positively respond to any occasion and situations, which could permit their contributing to or creating opportunities for promoting the lot of SMEs.

The SME sub-sector not only contributes significantly to improved living standards but they also bring about substantial local capital formation and achieve

high levels of productivity and capability. From a planning perspective, Small and Medium scale Enterprises are increasingly viewed as a major means for achieving equitable and sustainable industrial diversion and dispersal. Employment or job opportunity wise, SMEs account for well over half of the total share of employment, sales and value added in most countries.

Anyafo (1998) said that government directed credit performances targeted at small and medium scale enterprises was intended to generate employment. Ukeje (1997) says that employment is an issue of importance to society and the individual; this is to say that in a money economy like Nigeria, the citizenry expects to achieve their economic objectives through getting employment opportunities. The small and medium scale businesses have come to be known as a major source of new jobs. They employ the majority of all non-government workers in the country and this trend seems to be an increase. Thus, with increased yearly output from schools and the increasing inability of the public sector to expand fast enough to absorb the school leavers, the role of the small and medium scale sector in the provision of employment may continue to increase. It is to this end that Baumbach (1992) added that small and medium scale business is the traditional source of local and national economic growth, furnishing more than fifty (50) percent of all private employment.

The importance of competition in our economy cannot be denied. In an age of rapid change, competition can be the vehicle of change, through innovation or through improvement. Modern competition appears in many forms, prices, credit terms, service, product improvement, inter-industry struggles concerning substitution and replacement, innovations as to method and so forth. Basically, it

is rivalry for consumer patronage. If a truly free competitive economy is the desired goal of a nation, the continued existence of independent (small and medium scale) enterprises is imperative. Competitive capitalism ensures freedom of enterprise and provides an outlet for a large segment of the population. It is the best insurance that our economy will remain dynamic and provide continuous stream of innovations, new ideas, experiments and pioneering efforts.

Small scale industries have a lot of important contributions to make to the economic development of the country. Shokan (1997) writes some of them as follows: The provision of employment, innovation and areas marketing for goods and services which are offered for sales. A lot of youths, retired workers and out of school graduates are now gainfully employed, thereby reducing the unemployment rate and its attendant's social complication of armed robbery and white collar crimes. It helps to bring about new goods and services and supply the needs of large industries, which have to rely on the small scale operators for business success. Small scale business checks the effect of polarization by a planned and systematic development of rural areas. The much talked about urban migration is reduced by the introduction of small scale industries in rural area.

The activities of small business firms have resulted in the mobilization of the resources of the environment and thereby improving on the standard of living of the population. They contribute to the labour market by absorbing an ever growing supply. In doing this, they have sufficiently helped to curtail the rising unemployment in Nigeria. They have accounted for a large percentage of all businesses and a favourable percentage of the nation's gross national product. This fact is more relevant in the developed countries of Great Britain and United Kingdom where proper accounting system is kept.

Other noticeable impacts are its contribution to the development of indigenous entrepreneurship. Its contribution to the mobilization of domestic savings and utilization of local resources is also a noticeable factor. They serve as good agents for disposal of industrial products and some services and have contributed immensely to the production of raw materials in the form of semi-processed goods for use by bigger industries. It is a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers. It has provided productive self-employment to a number of educated and less educated young men and women coming out of schools, colleges, polytechnic and universities.

Ayozie (2004) specifically mentioned the role in the accelerated industrial development by enlarging the supply of entrepreneurs and the enlarging of small and medium enterprise sector, which offers better potential for employment generation and wider dispersal of industrial ownership. It has assisted in improving the performance of small industries by enlarging the supply of carefully selected and trained well rounded entrepreneurs and diversifying sources of entrepreneurship and business ownership. Tijani (2004) enumerated that the entrepreneur viz a viz the small scale business person is the most critical factors in the economic development of any Nation. Entrepreneur organizes, and utilizes the various factors of production and finally sets productive machinery in action towards overall economic development; consequently, the availability of the small scale industry is therefore the undisputed precondition for economic growth. The other economic contributions of small and medium scale enterprises are as follows:

2.3.1 CONTRIBUTES IN LOCAL AND REGIONAL DEVELOPMENT:

Some small and medium scale enterprises compared with the large one, are more widely distributed in the country. They are important in local and regional development and in promoting a more decentralized pattern of industrial growth. This diffusion, therefore helps in achieving regional economic balance. It further helps to achieve a decentralization of industrial structure and to distribute ownership of real wealth and economic power more widely in the country. Although majority of the small and medium scale business are concentrated in the urban areas for obvious reasons, the few that are sited at the rural areas help in reducing rural –urban migration.

2.3.2 WASTE UTILISATION: The small and medium scale business helps in the reduction of waste in the economy. Thus , it does in various ways. Many craftsmen use scrap materials from large firms not only as their raw materials but also for the manufacture of serviceable improvised tools and machinery for themselves and others.

2.3.3 ENCOURAGES AND SUSTAINS SELF-RELIANCE: Small and medium scale business can be an aid to personal and national self-reliance. This is because they utilize their resources for the benefit of themselves and the nation as a whole. They employ labour intensive technology for productive purposes. Therefore, one of the important values of small and medium scale businesses is the great dependence on what is available and the readiness to make use of anything rather than sitting back to complain because there are other things they do not have. Furthermore, Ekpenyong (1989:72-75) citing the Nigerian's third National Development plan (1975:80) summarized the role of small business in the development of Nigeria to include;

- Creation of employment
- Manpower training
- Fill in employment
- Introduction of big business
- Promotion of competition
- Aid to industrialization
- Catering for small demand.

Certainly, drawing from the review, it is quite evident that the relevance of small scale industries in the nations development is enormous.

2.4 SIGNIFICANCE OF THE SME SUB-SECTOR IN THE NIGERIAN ECONOMY

The SMEs operating in Nigeria are not shielded or immune from the typical problems and constraints of SMEs in other developed countries. Almost every country assists her SMEs largely because of the crucial inherent role they play in the economic growth and development. The assistance is usually in the form of facilities and supportive services than on protection and subsidies. Other services provided by some governments include commercial finance, venture capital, information training and retraining, Research and Development (R&D) support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organisations (NGOs). In recognition of the crucial roles played by SMEs with respect to economic growth and development, succeeding governments in Nigeria had various initiatives aimed at promoting the cause of SMEs in the country.

The most tangible among the different incentive packages that varied with almost every change in government leadership was the focus on enhancing the financial opportunities for the SMEs. Some of the support institutions and opportunities created by the government to enable SMEs access funding in the past 30 years include:

1. Small Scale Industries Credit Scheme (SSICS) 1971
2. Nigerian Bank for Commerce and Industries (NBCI) 1973
3. Nigerian Industrial Development Bank (NIDB) 1964
4. SME Apex Unit of Central Bank (1989)
5. National Economic Reconstruction Fund (NERFUND) 1989
6. The African Development Bank/ Export Stimulation Loan (ADB/ESL) 1989
7. Nigerian Export Import Bank (NEXIM)
8. National Directorate of Employment (NDE)
9. Industrial Development Co-ordinating Centre (IDDC)
10. Community Banks
11. People's Bank
12. Family Economic Advancement Programme (FEAP)
13. State Ministry of Industry SME Schemes
14. Small and Medium Industries Equity Investment Scheme (SMIEIS)
15. Bank of Industry (BOI)
16. Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN)
17. Credit Guarantee Scheme for SMEs (underway).

The above well-intentioned institutions designed to provide succour to SMEs notwithstanding the sub-sector is yet to find its bearing in the murky waters of Nigeria's business environment. These account for the government's recent introduction of the last three support schemes i.e. BOI, SMEDAN and the Credit

Guarantee Scheme, discussions on which have reached an advanced stage and the Bankers Committee's decision to institutionalize SMIEIS. It is expected that the Credit Guarantee Scheme would enhance and facilitate easy access to credits by the SMEs while SMIEIS would boost access to equity financing while SMEDAN would provide other needed non-financial support and leverage for the SMEs to thrive.

2.5 THE IMPORTANCE OF THE BUSINESS ENVIRONMENT SMALL SCALE BUSINESS

Two basic relationships exist between a business and its environment:

- Environment can be viewed as a source of information to a business organization and
- Environment can be viewed as a source of material resources to a focal business organization (Scott 1981).

Investigators emphasizing the informational aspects of environment, focus primarily on the degree of uncertainty confronting the organization. While those stressing the resource aspects of the environment focus on the degree to which the organization is dependent on the vital resources. Environment is a stock for the material resources needed by a business organization (Onwuchekwa, 1993:46).

2.6 PERFORMANCE FACTORS OF SMALL AND MEDIUM SCALE ENTERPRISES

The performance factors of SMEs include efficiency, effectiveness, productivity, profitability, solvency, leverage, activity and morale.

- 1. EFFICIENCY:** Simon (1997) explains efficiency as fitness or power to accomplish or success in accomplishing the purpose intended. Later, efficiency acquired a second meaning of the ratio of inputs to outputs, between effort and results, between expenditure and income and cost and the resulting pleasure (Ejiofor, 1987).

2. **EFFECTIVENESS:** To be effective literally means to have effect or to find the right things to do. When it is said that something is effective, it means that it has the defined effects or those that are intended in the design of the thing in question. However one SME is more effective than another if:

- It has more chances of survival than the other
- It meets its essential function or throughput than the other.
- It contributes more to the supra system than the other
- It's more than, maximizes its benefits like profits subject to some constraints like taxes and other obligation than the other (Ejiofor, 1987).

3. **PRODUCTIVITY:** Productivity has been defined as the measure of how well resources are brought together in organization and utilized for accomplishment of a set of results. It is reaching the highest level of performance with the least expenditure of resource (Mali,1978). To operationalize productivity in SME the relation of total output to total input is very handy. The total output is sales revenue from all the products of the enterprise. Total input is the naira value of all the factors of production for that year which include land, labour, capital. This measure of productivity has the advantage that it aggregates the effectiveness of the use of the factors of production of the SME to produce goods and services. It draws attention to the fact that a good integration of resources, physical and human, will yield higher output shown by the result of total output/total input being greater than 1.

4. **PROFITABILITY:** Profit is the income or the difference between sales revenue and total cost (Glautier et al,1980). The profitability of an enterprise is summarized in the valuation of that enterprise. Indeed, the basic objective of measurement of profitability is to provide a valuation of the enterprise which will be a critical assessment of the worth of investment. In effect the value of an

enterprise may be stated as being the present values of its future stream (Glautier et al, 1980).

5. **SOLVENCY:** Another performance variable apart from profitability is solvency. Solvency is the ability of an enterprise to meet its immediate financial obligations and thus avoid the possibility of insolvency (Glautier, et al, 1980).

6. **LEVERAGE:** Leverage is a measure of how far the total capital of the enterprise is borne by long term debt. In operationalising the leverage of the SME, two ratios come on hand as follows:

- Gearing or leverage ratio which is long term debt as a fraction of long term debt plus share capital.
- Gearing or leverage ratio which is long term debt as a fraction of share capital. (Glautier, et al 1980).

7. **ACTIVITY:** Activity is defined as the use of resource by the enterprise. To operationalise activity of the SME, the following ratios are useful as follows:

- Inventory turnover or the ratio of sales over average inventory which is the rate at which an enterprise converts inventory into sales.
- Average debt collection period which is given by debtors divided by credit sale.

2.7 BUSINESS FAILURE

Business failure occurs when a business has reached a point where it can no longer continue trading without encountering further problems. A failed business, according to Bickerdyke, Lattimore and Madge (2000), is the one that ceases

operation and exits the business population because it is no longer a viable concern. They also describe business failure as discontinuance of business, because it is no longer a viable concern. Business failure, commonly characterized by insolvency, is a situation where the business is unable to meet its financial obligations. Although failure happens to businesses of all sizes, either big or small, the small businesses are exposed to bigger threats, because they simply do not have the back-up of extra finance and resources that larger companies possess. “It is a fact that only about 50% of small businesses are still trading after their first three years from initial set up”(ROC Connect, 2008).

Business failure can be caused by many factors. Clark (1997) opined that, three critical issues of money, management and marketing are the general causes of small business failure. Holland (1998) explained that the money aspect has to do, mostly, with expenditures that may be unforeseen; the management aspect is associated with situation of consideration for factors other than qualification experience and skill; and marketing, with respect to the push and the pull of the market. From the study by Khan (2006), the main reasons that businesses fails are poor business planning, poor financial planning, poor marketing, and poor management. The first relates to manager’s inability to properly identify business objectives and means of achieving them, before going into business. The second is more about fund management, taking into consideration the unique financial dynamics of the intended business. The third is about making the products and services known to the established target audience and finally the various management flaws, for example some owner-managers lack ability, refuses to seek help and fails to delegate appropriately, as they run the businesses.

2.8 FACTORS RESPONSIBLE FOR THE FAILURE OF SMALL SCALE BUSINESSES

The rate of failure of small scale business is so great, even those that do not go outright moribund are terribly limping. Dickson (1971) opined that “each year about 450,000 new businesses get started at the end of the year almost 400,000 of these new firms are no longer in operation”. However Inang and Ukpung (1992) assert that the major problems of small scale enterprises include inadequate finance and other problem.

2.8.1 INADEQUATE FINANCE: The major source of financing for small scale enterprises the world over is the owners capital. In Nigeria as in many other developing countries, this problem is accentuated by the unwillingness of sole proprietors to allow the participation of outsiders in what is usually considered personal/family venture.

2.8.2 POOR STRATEGIC PLANNING: Ojiako,(1987) noted that sound planning proceeds sound decision making. According to Rogers (1964) he sees planning as a luxury which could be afforded only by large company. Even when they plan, the tendency is that they concern themselves only with short-term plan while they shy away from long term plan. As a result lack of the use of modern method of gathering and analyzing data constitutes a weak point in the small business strategic planning effort.

2.8.3 PROBLEM OF MISMANAGEMENT OF RESOURCES: Among the critical problems that encumber the performance of small scale business is mismanagement. Hence Edemreyor stressed that “one of the major problem area that impede small scale business in Natioal development is management. They fail to exercise high quality of management because they are tradition bound and are therefore insensitive to the need for change both in policies and practical Effiong, (1980).

2.8.4 MARKETING PROBLEMS: One of the major marketing problems facing small business enterprises in Nigeria is lack of understanding and the application

of marketing concept (Ogwo, 1991). Most Nigerian small business owners equate 'marketing' to 'selling' and this is reflected in their various dysfunctional business behaviours against customer satisfaction and good business orientation. They lack the knowledge and skills of basic marketing ingredients – marketing research, market segmentation and marketing planning and control.

The outcome of this is poor quality products, unawareness of competition, poor promotion, poor distribution, and poor pricing methods. They are not marketing oriented and market-focused if a marketer is defined as someone who understands and applies marketing in order to create, build, and maintain beneficial relationships with target markets. Baker (1979) and Doyle (1985) identified lack of marketing orientation as the major factor for business failure.

Most Nigerian small manufacturer, in a higher degree, depends on imported equipment and raw materials for their operations. With the over-devaluation of naira, vis-à-vis other foreign currencies, they are not finding it easier to secure these items abroad. They therefore resort to poor locally produced alternatives. They have a complex channel of distribution with many layers which go to push the prices of their products higher. Besides, small manufacturers pay little attention to the promotion of their products. Advertising and other methods of promotion are not adequately used. There is no other way of creating awareness of their innovations and stimulating consumers to action than promotion. Even, many of them do not participate in trade fairs and exhibitions. This also inhibits their growth and ability to compete with larger companies.

In a developing country like ours with low income and high level of poverty, a company that wants to succeed should offer its product at the price the consumers can bear. But often, small manufacturers set prices of their products arbitrarily

without regard to this peculiar consumer characteristic in our environment. Since they do not have clearly defined criteria upon which to base their prices, they always seek to maximize profits at short runs without having a long-term view of their businesses. Major marketing problems facing small business enterprises in Nigeria is lack of understanding and the application of marketing concept (Ogwo, 1991). Most Nigerian small business owners equate 'marketing' to 'selling' and this is reflected in their various dysfunctional business behaviours against customer satisfaction and good business orientation. They lack the knowledge and skills of basic marketing ingredients – marketing research, market segmentation and marketing planning and control. The outcome of this is poor quality products, unawareness of competition, poor promotion, poor distribution, and poor pricing methods. They are not marketing oriented and market-focused if a marketer is defined as someone who understands and applies marketing in order to create, build, and maintain beneficial relationships with target markets.

Baker (1979) and Doyle (1985) identified lack of marketing orientation as the major factor for business failure. Most Nigerian small manufacturer, in a higher degree, depends on imported equipment and raw materials for their operations. With the over-devaluation of naira, vis-à-vis other foreign currencies, they are not finding it easier to secure these items abroad. They therefore resort to poor locally produced alternatives. The result is usually poor quality products. This may be one of the factors responsible for Nigerian consumers' unquenching appetite for imported goods, even though many of these foreign goods are equally of poor quality especially those coming from Asian and Far East countries. With the increasing demand for imported goods in Nigeria, dubious local and foreign importers are dumping fake products which go further to frustrate small scale manufacturers and seriously affect our hard earned foreign exchange. Besides,

small-scale producers lack good quality control in their operations. In this respect, they rely mainly on replacing faulty products instead of developing good quality control system (Onwuchuruba, 2001). Only very few Nigerian small manufacturers are aware of the nature of competition facing them. They estimate their success only through sales revenue without considering also their market share. Even, some do not know their market segments on which to focus their operations.

High costs of vehicles and poor roads are also affecting the operations of small manufacturers in their efforts to move finished products down to consumers in both rural and urban areas. They have a complex channel of distribution with many layers which go to push the prices of their products higher. Besides, small manufacturers pay little attention to the promotion of their products. Advertising and other methods of promotion are not adequately used. There is no other way of creating awareness of their innovations and stimulating consumers to action than promotion. Even, many of them do not participate in trade fairs and exhibitions. This also inhibits their growth and ability to compete with larger companies.

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2.8.5 POOR MANAGERIAL SKILLS: Still on the problem of management, Akinkugbe a former chairman of Nigerian Industrial development bank added that little understanding of modern management technique by some small scale

business owners in addition to their strong desire to run and consequently run the business all alone. Akinkugbe (1980).

2.8.6 INFRASTRUCTURAL DEFICIENCY: Ifedi (1986) revealed that “our infrastructural deficiencies are so enormous especially in respect to water, power, roads and telecommunication”. What this suggests is that small scale businesses can hardly survive in this kind of environment and their small capital base put them in disadvantaged position, since they cannot provide these things on their own either.

2.8.7 PROBLEM OF ACCEPTABILITY OF LOCALLY MADE PRODUCTS: Furthermore, demoralizing effects of our people’s actions towards the locally made products has been identified as one. The problem staring humbly into the faces of the small-scale business entrepreneurs in our country today. This problem of acceptability of Nigerian made goods is caused by low technological base on the part of our small scale business Onuoha (1994). A concatenation of the factors that encumber the success of small scale business are many and of different dimension.

2.9 REASONS WHY GOVERNMENT PROGRAMS FOR SME’S DEVELOPMENT HAVE FAILED TO ACHIEVE THEIR OBJECTIVES.

The following are some of the reasons why government programs designed for SMEs development have not been able to achieve their desired objectives:

2.9.1 Lack of information and awareness: There is lack of information and awareness on the part of proprietors of SMEs about schemes that are meant to reduce their administrative and production costs of operation at the initial stage of operation. Most SMEs are not aware of the tax holiday granted by the Nigerian

government under the pioneer status that grant five years tax holiday (and can be extended for a further two years) to a new company registered in Nigeria.

2.9.2 Improper program design and implementation: SMEs development programs are often not properly implemented due to inconsistency in guidelines on application and lack of information on the needs and operational difficulties of SMEs. Most programs are often designed without putting into consideration the peculiar nature and level of education of entrepreneurs that are supposed to benefit from the program. Some of the programs are designed by World Bank experts who also are not familiar with the peculiar problems faced by SMEs in Nigeria.

2.9.3 Lack of infrastructures: The lack of infrastructural facilities such as steady power supply, good access roads, telecommunication, especially in the rural areas, and constant water supply has hindered the attainment of SMEs development objectives. The operating cost of most SMEs is very high because they now spend a lot of money to generate their own electricity.

2.9.4 Weaknesses in the legal and regulatory framework: The legal and regulatory framework does not protect creditors (Banks) against loan default from SMEs and the enforcement process through the courts is often slow. This and collateral security requirements combine to constitute barriers to SMEs access to finance.

2.9.5 Lack of support services: There is also the lack of support service such as consultancy advice from professionals. SMEs cannot afford the services of these professionals due to their meager resources. Most SMEs venture into businesses by accident of which they do not have the idea of the cost implication or as a means of survival without carrying out feasibility study.

2.9.6 Lack of transparency from coordinators of programs: Most officials are not transparent in the disbursement of loans and also in the selection process of skill acquisition program designed for young and potential entrepreneurs.

2.9.7 Lack of subsidies especially to farmers: With liberalization, government removed all forms of subsidy on petroleum products and fertilizer which indirectly increased the cost of SMEs that are into primary production. Some of the respondents are of the view that if farmers in industrialized countries are subsidized, government should also help SMEs that produce industrial inputs. The above reasons of why government programs for SMEs have failed to achieve their objectives are not exhaustive. It should be noted that if the structural framework upon which a well designed program is lacking, the program no matter the amount of resources put into the design will definitely fail.

2.10 SOLUTIONS TO THE IDENTIFIED PROBLEMS OF SMALL SCALE BUSINESS IN NIGERIA

Further more, in realization of the importance of small business in the socio-economic development of Nigeria and the identified problem that encumber their survival, it is pertinent to suggest some remedial measures.

According to Ogbuagu (1989) it is incumbent on government to formulate more programmatic policies aimed at fostering the development and growth of small-scale industries. Such policies shall be aimed at establishing linkages between large and small industries by way of inter “sectarian corporation. Ogbuagu (1989). As a remedial measure to the problems of small scale business, Ojikuta (1988) suggested that in order for the growth of small scale industry to be enhanced, all financial institutions including Banks have to be made to realize the importance of small scale industry to economic development. Therefore, to channel specific percentage of their loan to small scale industries. A lot of scholarly contributions are available on how to solve business failure problems. First, majority of the authors of works on causes of business failure usually proffer solutions to the

prevention of the identified problems. These suggested solutions are on most occasions specific and direct to the identified causes. For instance, Dawber (2005) suggested that, an entrepreneur going into business should find out if people actually want the products that the business intends to produce, and how much they are ready to pay for the products. Entrepreneurs should invest more on marketing activities, which is likely to increase revenue and chances of success.

Business owners should make sure that the duties and responsibilities of the partners are detailed right from the start, and the partnership deed along with the commercial terms is clearly defined, if it is a partnership business. While devising the business model, he advised that the rule of 'keep it simple' should be followed. As the business grows and gets established, operation can shift to a more radical or complicated business model, if required. An entrepreneur should try to achieve extraordinary business success by simply improving business practices of the existing business, rather than starting and pioneering a new product. Once the business is established, new product cycle may then be pioneered.

A business should be operated under the protection of a corporation, courtesy of which owners get a corporate shield. He stated that in this way, personal liability to the business will be limited to whatever is invested, in case of liquidation. WithaM (2006), along the same line, stated that an entrepreneur need to save up at least six months worth of living expenses along with six months worth of expenses for business. There is the need to have done more advertising in order for people to know about your company. More staff should be hired when there is too much work to handle. The business owner needs to have more money before starting the company or he should get a business loan. In order to stay successful in a business,

offering cheap products or services should be avoided, as they only result in people not being impressed. The entrepreneur needs to follow the rules and regulations.

Tamminga (2008) suggested, also, that adequate brainstorming for ideas and research should be conducted. The additional issues in the work of Khan (2005) are in the area of adequate planning using a business plan and financial plan, guided by an accountant.

On the African condition and with particular reference to small-scale business in Nigeria, Adelakun (2007) stated that: “To bring these small and medium scale businesses back to life in Africa, the electricity power supply, which is the main source of energy for production, must be revived and made stable. Alternative sources of cheap funds must be made available for entrepreneurs. Loans at more than 25% interest rates are usually too dangerous for the survival of a small scale business”. A lot of other authors too proffer their solutions along these same line.

The second category of solution is regulation by way of Law. All over the world, individual countries enact Laws to govern the conduct of business. Although all categories of business are covered, the incorporated businesses are usually the most considered and the better provided for.

In the United Kingdom, where the company Law has existed for over 150 years (Company Act, 2006) the Act is being updated and amended to date, for regulation of businesses. Partnership Act of 1890 is being referred to, to date. In America the stock exchange Act of 1934, is an important document for the regulation of business activities. In 2002, The Sarbanes-Oxley Act of 2002 (Act), the US corporate reform legislation was signed into law in America. ‘The Act has broad implications for the corporate governance and audit and financial reporting process and other disclosure and compensation practices of US and non-US companies

whose securities are quoted in the main US markets'(McDermott Newsletters, 2009). In Germany the Stock Corporation Act, regulates the activities of Joint stock companies, while some sections of the Civil Code takes care of partnership business. In Japan, the Laws include Commercial Code, Small and Medium Enterprise Basic Law of 1963 (Amended in 1999), Corporation Law of 1974 and Company Law (Law library, 2008).

In Nigeria, business activities are regulated based on the provisions of Companies and Allied Matters Act of 1990 as amended to date. The Act provides, majorly, for incorporated businesses but with provisions too for other business forms. Legislations like these are available worldwide covering wide range of issues in business procedures and practices. Standardization is the next form of solution that this study reviews. Standardization could be described as a third party enforcement mechanism for the regulation of business and enforcement of contracts. It involves inspection, assurance and certification services that are aimed at regulating business, enforcing contracts and assurance for acceptable social and environmental behavior expectations (Blair, Williams and Lin, 2008).

According to Russell (2007), standards that are applicable to and are expected to be complied with are either 'de facto' standards (that became standards through market activities), voluntary consensus standard (that are set by committees and association) or 'de jure' standards (that are mandated by government). Standards relating to financial reporting, product quality, material input quality and service rendering, are issued by different bodies, both at national and international levels, around the world. These standards covers wide ranging procedures that relates to businesses and have played significant role in shaping of business activities. The next sub-section reviews standardization.

2.10.1 STANDARDIZATION: As stated earlier, standardization involves inspection, assurance and certification services that are aimed at regulating businesses, enforcing contracts and assurance for acceptable social and environmental behavior expectations. According to Russell (2007) standards can originate from three different sources. An individual or an organization may develop a technology that can be a benchmark for others to follow, trade association or standard setting committee is the second source of standards, while regulatory bodies are the third. The standard setting process, however, may be a combined effort of any of the three sources. Also, three different types of standards are said to be available. They are Performance standards, Compatibility standards and Measurement standards. Performance standards are those standards that are issued to specify way of doing things (performance of certain task) or the result of activities. Compatibility standards defines interface between product with regard to both quality and quantity, in the production line, while measurement standards are for objective quantification in unit of length, weight, volume etc. (Russell, 2007).

Three different institutional authorities exist for enforceable standards. (Russell,2004) identified them, as ‘de facto’ standards as those practices that became standards because of long period and wide coverage of use. APA formatting style and the use of PDF and Microsoft word document format are examples here. The voluntary consensus standards are the types set by committees and associations, involving a number of firms and which are meant to facilitate industrial wide acceptance. ‘de jure’ standards are those that have been mandated by government or its approved agencies. Therefore, it could concluded that either an individual or an organization or a standard setting body that has approval of government, develops the standards.

2.10.2 STANDARDIZATION AND BUSINESS: Standardization that affects business exists as far back as the eighteenth century, for weight and measure by French scientists. Several standards exist, today that have impacts on businesses worldwide. The most familiar and well-established set of standards are those on financial reporting (Blair, et al., 2008). The standards usually prescribe what information should be made available to stakeholders and the form in which the information should be prepared and presented. Accounting standards were developed as a guiding tool which defined how companies should display transactions and events in their financial statements, ensure the needed uniformity of practices, enlighten users of financial reports, provide a framework for preparation, presents and interprets financial statement (Kantudu, 2005) and (Oghuma and Iyoha, 2005).

According to Blair, et al. (2008) the external auditor examines the records of companies to ensure that the principles are followed and the underlying economic realities are fairly presented. A lot of standardizations also exist for the products and services that are produced/rendered by businesses. The movement for standards for consumer goods gained momentum in the early 20th century and in the 1960s to 1970s. 'In many cases, private firms and industry trade associations developed their own standards and compliance measures for products such as butter, beef and gas' (Russell, 2007). ISO is a global body that has made significant impact on standardization of product and their production processes. Tens of thousands of standards have been published by the organization; it, also, has accreditation bodies around the world for accreditation of organizations, their products and the processes of production. A significant document issued by ISO is 'ISO 9000 standard for quality management' that applies to management systems

that firm uses to meet customer and regulatory requirements (Blair, et al.,2008). Activities of 'ISO', therefore, brings standardization to product been produced.

According to Corrado and Odorici (2008) 'industry media eased production and consumption choices by providing, through categorization and rating, the structure in the extensive variety of product that is needed for the working of the market'. The technique allowed greater control over production and produce a relative standardization for products in Italy. According to Russell (2007), standardization provided stability for variety of industries that have been the very core of America's growth'. He stated that, it has provided stability for manufacturing and for building networks. Russell (2004) stated that different standards co-exist in digital network industry. He stated that the firms and regulators create digital networks, which can only be understood if organizational and strategic aspect of standardization is appreciated. In the UK, according to Yates and Murphy (2007), British Engineering Standard Committee was formed to standardize iron and steel girders, which was mainly fashioned around the US type of the railway. In addition, International Electrical Congresses were held among representatives of different national scientific and engineering committees to standardize electric units.

Summarily, Small scale business owners should ensure that resources are properly allocated and effectively utilized in order to achieve desired result and hence avoid failure in business.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter will show the design, population of the study. Sampling procedures as well as the way by which the size is determined/methods by which the research data will be collected and ways/methods of analyzing data.

3.2 RESEARCH DESIGN

Research design has to do with the development of strategies for finding out something, (Anyanwu 2000:39). Research design deals with how data are sourced, how the subject matter of the study are brought within the scope and how they are employed within the scope and how they are employed within the framework of the research settings. In this study, the researcher would use the “Survey method” of research namely personal interviews, questionnaires and observation.

3.3 POPULATION OF THE STUDY

The population of this study will be composed of the management and non-management of some selected Companies in Enugu. About fifty (50) management staff and hundred and fifty (150) non-management staff of the Companies have been chose to constitute the population of the study.

3.4 SAMPLING PROCEDURES

The researcher will use the non-probability sampling method which Anyanwu (2002:121) defines as “non random by which the researcher selects his sample on the basis of understanding the universe, it’s components and the nature of his research objectives”. Indeed about 50 management and staff and 150 non-management staff of the selected companies in Enugu will constitute the population of this study, the population to be sampled.

3.5 DETERMINATION OF THE SAMPLE SIZE

The researcher has determined the sample size using the Yaro Yame’s formula as cited by Alugbuo (2002:18). The formula is stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size and N is the number of items in the population. The square of maximum allowance for sampling error or level of significance is 5%. It is represented by e. Therefore, n can be determined thus,

$$n = \frac{200}{1 + 200(0.05)^2}$$

$$n = \frac{200}{1 + 200 \times 0.0025}$$

$$n = \frac{200}{1.5}$$

$$n = 133.33$$

$$n = 133.$$

3.5 DATA COLLECTION: The data used were collected using both primary and secondary sources of collection; the secondary sources consist of Journals, Newspapers and magazines as well as texts. The primary sources are questionnaires and direct interviews.

A hundred and thirty three copies of questionnaire will be taken to the respondents. They will be distributed by the researcher with assistance from those of the staff of the company. This is for the purpose of removing bias.

3.6 METHOD OF DATA ANALYSIS

The research questions were analysed using the simple percentage while the hypothesis were tested using the chi-square (X^2) test statistic. The reason for the use of this test is that it can be used for one, two or more variables of general applicability. The formula of chi-square is stated below:

$$X^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

$$\sum e_i$$

Where:

X^2 = Chi square

O_i = Observed frequency

e_i = Expected frequency

\sum = Summation

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CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 DATA PRESENTATION

A total of 133 questionnaires were distributed out of which 100 were properly filled and returned. The responses from the respondents were in Pie Chart showing the options, the decisions made or conclusion arrived at which were based on the percentages of responses obtained from the options listed.

4.1 DATA ANALYSIS

The response from the questions will now be analyzed. It is also important to state that some sub-questions developed from the research question were analyzed.

SECTION A

4.1 RESPONDENT'S PERSONAL-DATA

ITEMS	OPTIONS	NO OF RESPONSE	% OF RESPONSE
SEX	Male	70	70
	Female	30	30
	TOTAL	100	100

AGE	20 – 25Years	60	60
	Above 25Years	40	40
	TOTAL	100	100
MARITAL STATUS	Single	60	60
	Married	40	40
	TOTAL	100	100
WORK EXPERIENCE	Below 1 year	20	20
	1 – 5Years	40	40
	Above 5years	40	40
	TOTAL	100	100
LEVEL OF EDUCATION	OND/HND	10	10
	B .Sc	52	52
	MBA, M.Sc, P.hD	38	38
	TOTAL	100	100

Source: Field Survey

Table 4.1 shows that 70% of the respondents are males while 30% are females, 60% of the respondents falls between the ages of 20-25years whereas 40% are from 25years and above. While 60% of the respondents are single, 40% are married, 20% of the respondents have worked for less than one year, 40% have also worked between 1-5years and hence 40% of the respondents have worked for more than 5years. While 10% of the respondents hold an OND/HND Certificate, 52% hold a B.Sc Certificate and 38% of the respondents hold a P.hD Certificate.

SECTION B: MANAGEMENT STAFF

Question 6: Do you think that small scale businesses have failed in Nigeria?

Table 4.2: Failure of small scale business in Nigeria.

Options	No of Response	% of Responses
I do	60	60
I do not	40	40
TOTAL	100	100

Source: Field Survey

Table 4.2 shows that 60% of the respondents are of the view that small scale businesses in Nigeria fail, whereas 40% of the respondents maintain the fact that small scale businesses in Nigeria do not fail.

Question 7: What are the core causes of business failure in Nigeria?

Table 4.3: Causes of business failure

Options	No of Response	% of Responses
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Poor planning	30	30
Untrained personnel's	20	20
None of the above	10	10
All of the above	40	40
TOTAL	100	100

Source: Field Survey

30% of the respondents are of the opinion that Poor planning, 20% agreed that Untrained personnel's is one of the core causes of business failure in Nigeria, whereas 10% chose none of the above and 40% chose that all of the above.

Question 8: Does poor management affect the growth of small-scale enterprises?

Table 4.4: Impact of poor management

Options	No of Response	% of Responses
Yes it does	100	100
No it does not	-	-
TOTAL	100	100

Source: Field Survey

Table 4.4 shows that 100% of the Management staff are of the opinion that poor management affect the growth of small scale businesses.

Question 9: Does government provide conducive environment for small scale business?

Table 4.5: Attitude of government to creating conducive environment

Options	No of Response	% of Responses
Yes they do	74	74
No they do not	26	26
TOTAL	100	100

Source: Field Survey

58% of the respondents are of the view that the attitude of government to creating conducive environment for business is favourable to their organization, whereas, 42% of the respondents holds contrary view.

Table 4.6: Do you think that lack of implementation of management policies leads to failure of small scale businesses?

Options	No of Response	% of Responses
Yes it does	100	100
No it does not	-	-
TOTAL	100	100

Source: Field Survey

52% of the respondents are of the view that the workers in their organization implement management's policies, whereas 48% of same insist that workers in their organization do not implement management's policies.

Table 4.7: Development of policies for solving the problems of small scale businesses in Nigeria?

Options	No of Response	% of Response
It does	51	51
It does not	49	49
TOTAL	100	100

Source: Field Survey

Table 4.7 shows that 51% of the respondents are of the view that management develops policies for solving the problems of small scale businesses in Nigeria, whereas 49% do not attest to that view.

SECTION C: NON-MANAGEMENT STAFF

QUESTION 12 : Does the finance options affect small scale business?

Table 4.8: Effects of finance options

Options	No of Response	% of Response
Yes it does	30	30
No it does not	70	70
TOTAL	100	100

Source: Field Survey

30% of the respondents are of the view that management of their organization have financial management strategies whereas 70% of the respondent maintain that the management of their organization do not have financial management strategies.

Question 13: Do you think that incompetent hands handle business activities better?

Table 4.9: Control of business by incompetent hands

Options	No of Response	% of Responses
They do	80	33
They do not	20	67

TOTAL	100	100
-------	-----	-----

Source: Field Survey.

33% of the respondents are of the view that competent hands handle business activities whereas, 67% of the respondents holds contrary views.

Question14: Has the profitability of your organization improved because of the competent hands that handles business activities in the organization?

Table 5.0: Improved Profitability

Options	No of Response	% of Response
It has	20	20
It has not	80	80
TOTAL	100	100

Source: Field Survey.

20% of the respondents are of the opinion that the organization has improved profitability due to competent hands where as 80% of the respondents maintained that profitability of their organization has not improved

Question 15: Does your company have marketing strategies

Table 5.1: Availability of marketing strategies

Options	No of Response	% of Responses
It has	31	31
It has not	69	69
TOTAL	100	100

Source: Field Survey.

31% of the respondents are of the view that the companies have marketing strategies, whereas 69% of the respondents maintain that their company does not have marketing strategies.

Question 16: Do such strategies favour corporate goals?

Table 5.2: Favour on corporate goal

Options	No of Response	% of Responses
They do	40	40
They do not	60	60
TOTAL	100	100

Source: Field Survey.

40% of the respondents are of the view that such strategies favour corporate goals where as 60% of the respondents maintain that such strategies do not favour corporate goals.

4.2 RESULTS OF TESTING FOR HYPOTHESIS

The two hypothesis stated in chapter one were tested as follows: the testing instrument to be used is the chi-square(X^2)

HYPOTHESIS ONE

The causes of Small scale business failure is high.

The respondents were asked to indicate the core causes of business failure in Nigeria.

Refer to question 7

Table 4.3:Causes of business failure

Options	No of Response	%of Responses
Poor planning	30	30
Untrained personnel's	20	20
None of the above	10	10
All of the above	40	40
TOTAL	100	100

Source: Field Survery

30% of the respondents are of the opinion that Poor planning,20% agreed that Untrained personnel's is one of the core causes of business failure in Nigeria, whereas 10% chose none of the above and40% chose that all of the above.

However, the researcher made further verification question and the analyses shown on table 4.3.1 below.

TABLE 4.3.1: Is it true that there are causes of Small scale business failure?

Responses	Respondents	Percentage
Yes	80	80
No	20	20
TOTAL	100	100

From the table above, 80out of 100 respondents said yes that that there are some causes of Small scale business failure, but 20 out of 100 respondents said there are no causes of small scale business failure.

From table 4.3.1 above, we deduce table 4.3.2 as shown below:

TABLE 4.3.2

OBSERVED FREQUENCY USED IN TESTING HYPOTHESIS 1

Is it true that there are some core causes of small scale business failure

Yes	80
No	20
Total	100

From the result of table 4.3.2 above, we can state the expected or theoretical frequency on table 4.3.3 as shown below.

TABLE 4.3.3

EXPECTED OR THEORETICAL FREQUENCY OF HYPOTHESIS 1

Yes	50
No	50
Total	100

From here, we can combine the results of table 4.3.2 and table 4.3.3 to obtain table 4.3.4 as shown below:

TABLE 4.3.4

	Observed frequency (fo)	Theoretical frequency (ft)	Total
Yes	80	50	130
No	20	50	70
TOTAL	100	100	200

We have to note that Chi-square is an important extension of hypothesis testing. It is used when it is required to compare an actual/ observed frequency with a theoretical or expected frequency.

The formula for the calculation of Chi-square (χ^2) is given by:

$$x^2 = \frac{(fo-ft)^2}{ft}$$

Where fo= observed frequency, and

ft= theoretical frequency.

TESTING

We now state the null and alternative hypotheses and test accordingly.

H₀: The causes of small scale business failure is low

H₁: The causes of small scale business failure is high.

By computation, we have that Chi-square,

$$x^2 = \frac{(fo-ft)^2}{ft}$$

$$x^2 = \frac{(80-50)^2}{50} + \frac{(20-50)^2}{50} = \frac{900}{50} + \frac{900}{50}$$

$$= 18 + 18 = 36$$

DECISION

The decision rule is to reject H₀ if the computed value of the test statistic is greater than the critical value of the chi-square read from the table.

Thus we reject the null hypotheses (H₀) and accept the alternative hypotheses (H₁).

HYPOTHESIS 2

There is proof that government create conducive environment for Small scale business.

The respondents were asked to indicate whether government provides them conducive environment.

Refer to question 9: Does government provide conducive environment for small scale business?

Table 4.5: Attitude of government to creating conducive environment

Options	No of Response	% of Responses
Yes they do	74	74
No they do not	26	26
TOTAL	100	100

Source: Field Survey

74% of the respondents are of the view that government provides conducive environment for small scale business, whereas, 26% of the respondents holds contrary view.

From table 4.5.1 above, we deduce table 4.5.2 as shown below:

TABLE 4.5.2

OBSERVED FREQUENCY USED IN TESTING HYPOTHESIS 2

Does government provide conducive environment for small scale business?

Yes	74
No	26

Total	100
-------	-----

From the result of table 4.5.2 above, we can state the expected or theoretical frequency on table 4.5.3 as shown below.

TABLE 4.5.3

EXPECTED OR THEORETICAL FREQUENCY OF HYPOTHESIS 1

Yes	50
No	50
Total	100

From here, we can combine the results of table 4.5.2 and table 4.5.3 to obtain table 4.5.4 as shown below:

TABLE 4.5.4

	Observed frequency (fo)	Theoretical frequency (ft)	Total
Yes	74	50	124
No	26	50	76
TOTAL	100	100	200

We have to note that Chi-square is an important extension of hypothesis testing. It is used when it is required to compare an actual/ observed frequency with a theoretical or expected frequency.

The formula for the calculation of Chi-square (χ^2) is given by:

$$\chi^2 = \frac{(f_o - f_t)^2}{f_t}$$

Where f_o = observed frequency, and

f_t = theoretical frequency.

TESTING

We now state the null and alternative hypotheses and test accordingly.

H_0 : There is no proof that government create conducive environment for small scale business.

H_1 : There is proof that government create conducive environment for small scale business.

By computation, we have that Chi-square,

$$X^2 = \frac{(fo-ft)^2}{ft}$$

$$X^2 = \frac{(74-50)^2}{50} + \frac{(26-50)^2}{50} = \frac{576}{50} + \frac{576}{50}$$

$$= 11.52 + 11.52 = 23.04$$

DECISION

The decision rule is to reject H_0 if the computed value of the test statistic is greater than the critical value of the chi-square read from the table.

Thus we reject the null hypotheses (H_0) and accept the alternative hypotheses (H_2).

HYPOTHESIS 4

There is significant relationship to show that finance option can affect Small scale business.

Refer to QUESTION 12 : Does finance options affect small scale business?

Table 4.8: Effects of finance options

Options	No of Response	% of Response
Yes it does	30	30
No it does not	70	70
TOTAL	100	100

Source: Field Survey

30% of the respondents are of the opinion that finance option affect small scale business, whereas 70% of the respondent maintain that finance option does not affect small scale business.

From table 4.8. above, we deduce table 4.8.2 as shown below:

TABLE 4.8.2

OBSERVED FREQUENCY USED IN TESTING HYPOTHESIS 4

Does government provide conducive environment for small scale business?

Yes it does	30
No it does not	70
Total	100

From the result of table 4.8.2 above, we can state the expected or theoretical frequency on table 4.8.3 as shown below.

TABLE 4.8.3

EXPECTED OR THEORETICAL FREQUENCY OF HYPOTHESIS 4

Yes it does	50
No it does not	50
Total	100

From here, we can combine the results of table 4.8.2 and table 4.8.3 to obtain table 4.8.4 as shown below:

TABLE 4.8.4

	Observed frequency (fo)	Theoretical frequency (ft)	Total
Yes it does	30	50	80
No it does not	70	50	120
TOTAL	100	100	200

We have to note that Chi-square is an important extension of hypothesis testing. It is used when it is required to compare an actual/ observed frequency with a theoretical or expected frequency.

The formula for the calculation of Chi-square (x^2) is given by:

$$x^2 = \frac{(fo-ft)^2}{ft}$$

Where fo= observed frequency, and

ft= theoretical frequency.

TESTING

We now state the null and alternative hypotheses and test accordingly.

H₀: There is no significant relationship to show that finance option can affect small scale business.

H₄: There is significant relationship to show that finance option can affect small scale business.

By computation, we have that Chi-square,

$$X^2 = \frac{(fo-ft)^2}{ft}$$

$$X^2 = \frac{(30-50)^2}{50} + \frac{(70-50)^2}{50} = \frac{400}{50} + \frac{400}{50}$$

$$= 8 + 8 = 16$$

DECISION

The decision rule is to reject H_0 if the computed value of the test statistic is greater than the critical value of the chi-square read from the table.

Thus we reject the null hypotheses (H_0) and accept the alternative hypotheses (H_4).

HYPOTHESIS 5

There is evidence to show that the employment of incompetent hands affect small scale business

Refer to Question 13: Do you think that incompetent hands handle business activities better?

Table 4.9: Control of business by incompetent hands

Options	No of Response	% of Responses
They do	20	33
They do not	80	67
TOTAL	100	100

Source: Field Survey.

20% of the respondents are of the view that competent hands handle business activities whereas, 80% of the respondents holds contrary views.

From table 4.9. above, we deduce table 4.9.2 as shown below:

TABLE 4.9.2

OBSERVED FREQUENCY USED IN TESTING HYPOTHESIS 4

Does government provide conducive environment for small scale business?

Yes they do	20
No they do not	80
Total	100

From the result of table 4.9.2 above, we can state the expected or theoretical frequency on table 4.9.3 as shown below.

TABLE 4.9.3

EXPECTED OR THEORETICAL FREQUENCY OF HYPOTHESIS 5

Yes they do	50
No they do not	50
Total	100

From here, we can combine the results of table 4.9.2 and table 4.9.3 to obtain table 4.9.4 as shown below:

TABLE 4.9.4

	Observed frequency (fo)	Theoretical frequency (ft)	Total
Yes they do	20	50	70
No they do not	80	50	130
TOTAL	100	100	200

We have to note that Chi-square is an important extension of hypothesis testing. It is used when it is required to compare an actual/ observed frequency with a theoretical or expected frequency.

The formula for the calculation of Chi-square (χ^2) is given by:

$$\chi^2 = \frac{(f_o - f_t)^2}{f_t}$$

Where f_o = observed frequency, and

f_t = theoretical frequency.

TESTING

We now state the null and alternative hypotheses and test accordingly.

H_0 : There is no significant relationship to show that finance option can affect small scale business.

H_5 : There is significant relationship to show that finance option can affect small scale business.

By computation, we have that Chi-square,

$$\chi^2 = \frac{(f_o - f_t)^2}{f_t}$$

$$\chi^2 = \frac{(20-50)^2}{50} + \frac{(80-50)^2}{50} = \frac{900}{50} + \frac{900}{50}$$

$$= 18 + 18 = 36$$

DECISION

The decision rule is to reject H_0 if the computed value of the test statistic is greater than the critical value of the chi-square read from the table.

Thus we reject the null hypotheses (H_0) and accept the alternative hypotheses (H_5).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

A lot of findings were made in the course of carrying out this research work. And they are summarized thus; that poor management affects the growth of small scale enterprises and that management determines the causes of the failure of the small scale business in Nigeria and that lack of implementation of management policies

also poses a failure of small scale businesses. It can also be summarized that sometimes, management marketing strategies and the profitability of the organization have been improved because of the competent hands that handle business activities in the organisation.

5.2 IMPLICATIONS

The findings made in the course of carrying out this work have a lot of implications. The fact that poor management affects the growth of small-scale enterprises implies enterprises in Nigeria are bound to collapse.

Also, the fact that management determines the causes of the failure of small scale business in Nigeria implies that the problems of such enterprises are half solved. Given that management develops policies for solving the problem of the small scale enterprises, it implies that most of the enterprises will be properly guided in the pursuit of their goals. The fact that management sometimes has poor attitude to training implies that the organization's human resources has to wake up in the performance of their duties.

5.3 CONCLUSIONS

It is hereby concluded that:

- Poor management affects the growth of small scale enterprise.
- Management determines the cause of failure of small scale business in Nigeria.

- Organisation have poor attitude to training
- Government does not always create conducive environment for small scale businesses.
- Workers sometime implement management policies
- Management develops policies for solving the problems of small scale enterprises.
- Competent hands are sometimes involved in business strategies.
- Management does not always have financial management strategies.
- The profitability of small scale organizations have not greatly improved.
- Marketing strategies and financial strategies are not strong enough to run the business.

5.4 RECOMMENDATIONS

The researcher therefore recommends the following:

- ✚ That poor management of business resources should be avoided.
- ✚ Organizations should have good attitude to training.
- ✚ Management should always determine the causes of failure of small scale business in Nigeria.
- ✚ Government should try as much as possible to provide/create a conducive environment for business activities.
- ✚ Workers should ensure that they abide by the rules, regulations, policies laid down by the management.
- ✚ Management should have a good financial strategies which encompasses revenue generation and how it should be spent.
- ✚ Organizations should always strive hard in order to make sure that the organizations profit base is increased.

- ✚ Management should have a viable marketing strategy.
- ✚ There should be a laid down procedure on how to solve problems facing small scale enterprises.

5.5 SUGGESTIONS FOR FUTURE RESEARCH

The researcher hereby suggests that future researchers should delve into; The Impact of Training and Development on the performance of small-scale Enterprises and: The Role of Motivation on Strategic Management.

The causes of Small scale business failure is low

H1: The cause of Small scale business failure is high

H0: There is no proof that government can create a conducive environment for Small scale business.

H2: There is proof that government can create a conducive environment for Small scale business.

- Ho: There is no evidence to show that workers implement management policies in small scale business.
- H3: There is evidence to show that workers implement management policies in small scale business.
- Ho: There is no significant relationship to show that finance option can affect Small scale business.
- H4: There is a significant relationship to show that finance option can affect Small scale business.
- Ho: There is no evidence to show that the employment of incompetent hands lead to the failure of small scale business.
- H5: There is evidence to show that the employment of incompetent hands leads to the failure of small scale business.

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Dear Respondents

RESPONSE TO QUESTIONNAIRE

I wish to implore you to kindly fill the questionnaire administered to you. Your firm has been chosen as a case study for my Research Work in my Masters Programme.

I promise to handle with absolute confidentiality any confidential material/information you may reveal to me.

Thanks for your co-operation.

Yours faithfully

Mandah Chidinma

PG/MBA/10/54591

QUESTIONNAIRE

INSTRUCTION: Below are typical questions kindly indicate the options you consider appropriate by ticking () against such options.

SECTION A: PERSONAL-DATA

1. Sex

a. Male () b. Female ()

2. Age

a. 20-25 years () b. Above 25 Years ()

3. Marital Status

- a. Single () b. Married ()

4. Work Experience

- a. Below 1year () b. 1-5years () c. Above 5years ()

5. Level of Education

- a. OND/HND () b. B .Sc () c. MBA, M.Sc, P.hD ()

SECTION B: MANAGEMENT STAFF

6. Do you think that small scale businesses have failed in Nigeria

- a. I do () b. I do not ()

7. What are the core causes of business failure in Nigeria.

- a. Untrained Personnel () b. Poor financing ()

8. Does poor management affect the growth of small-scale enterprises?

- a. Yes it does () b. No it does not ()

9. Does government provide conducive environment for small scale business?

- a. It is () b. It is not ()

10. Do you think that lack of implementation of management policies leads to failure of small scale businesses?

- a. Yes it does () b. No it does not ()

11. Development of policies for solving the problems of small scale businesses in Nigeria?

- a. Yes they do () b. No they not ()

SECTION C: NON-MANAGEMENT STAFF

12 .Does the management of your organization have financial management strategies?

- a. It has () b. It has not ()

13. Do you think that incompetent hands handle business activities better?

- a. Yes they do () b. No they do not ()

14. Has the profitability of your organization improved because of the competent hands that handles business activities in the organization?

- a. It has () b. It has not ()

15. Does your company have marketing strategies?

- a. It has () b. It has not ()

16. Do such strategies favour corporate goals?

- a. They do () b. They do not ()

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Employee motivation is one of the most important concepts in the fields of organizational behaviour and human resource management. Employee motivation is the key to organizational effectiveness and is a predictor of performance and job

satisfaction (Ghafoor, 2011; Lather and Jain, 2005). Motivated employees are the cornerstones of any organization (Anderfuhren, et al., 2010) and help organizations to survive.

Furthermore, motivated employees possess an awareness of specific goals that must be achieved in particular ways, and they therefore direct their efforts towards achieving such goals (Nel et al., 2001). Oluseyi and Ayo (2009) assert that levels of employee performance rely not only on the employees' actual skills, but also on the level of motivation they exhibit. Therefore, productivity and retention of employees are considered as functions of employee motivation (Lord, 2002). Motivation sources also exert influence on factors such as employee turnover, as well as job satisfaction and organizational commitment. Employee motivation is a major issue for any organization. Managers have always tried to motivate their staff to perform tasks and duties to a high standard (Al-Alawi, 2005). All employers want their people to perform to the best of their abilities and so take great pains in ensuring that they provide all the necessary resources and a good working environment to keep their employees motivated. Yet motivation remains a difficult factor to manage because employees' aspirations and targets do not always match what their employers can provide (Lather and Jain, 2005). According to MacMillan (2007, p. 207), "What motivates an individual is complex, and the biggest mistake we can make is underestimating the magnitude of the human mind".

An understanding of employee motivation has become even more critical due to the rapidly changing nature of organizations. Organizations are becoming global and are shifting from traditional hierarchical structures to decentralized structures, and adopting the concept of teams (Erez and Den, 2001). These changes, along

with the trend of downsizing and a shift away from lifetime employment, have resulted in employees harbouring higher levels of anxiety (Reynolds,1992). This has a great impact on a workplace and highlights the importance of understanding employee motivation at work today more than ever, particularly because motivation affects almost all major aspects of the organization, including satisfaction, organizational commitment, job design, benefit programmes and job involvement. A major function of management is to influence employees to work towards the accomplishment of organizational objectives, and motivation is an important and complex aspect of that function (Islam and Ismail, 2008). This is due, in part, to the fact that what motivates employees changes constantly.

A manager's ability to understand what motivates employees may help them to identify and solve many organizational issues. Motivating employees is a dynamic process (MacMillan, 2007). Moreover, to get productivity up to an optimal level, it is critical to understand how and why people are motivated to work (Hahn and Kleiner, 2002; Westover, 2008). For this purpose, managers usually spend a considerable amount of time on developing various motivational techniques however, generally speaking, they do not have clear picture of what really motivates their employees.

Basically, there is a wide range of individual differences with respect to skill and experiences that people possess. Individuals come to work place with various levels of skills and experiences. Observably, these skills and experiences influence their behaviours. This is the genesis of individual differences which is obtainable in every organization. It has been discovered that one of the causes of the differences in the work place is amount of skills and experiences acquired by individual. Some organization's subject their employees to various training and development

programmes as well as re-ordering the content of the job so as to make jobs more compatible with the existing abilities and skills of workers. Another reason for differences in performance among employees in the work place is due to the degree of motivation given to them. Workers are expected to be motivated but are found de-motivated due to many factors among which is the discriminative attitude of managers. Some managers exhibit preferential treatment on their employees which will have an after effect on both the organization as well as the employees; this effect could bring about neglecting hardworking employees during promotion while lazy and unserious workers whom the manager prefer will be promoted, when there is opportunity for rewarding, the hard working ones are also neglected, qualified employees who are due for special training, seminars are denied these privileges as a result of discrimination.

Managers are continually challenged to motivate a workforce to do two things. The first challenge is to motivate employees to work toward helping the organization achieve its goals. Meeting the needs and achieving the goals of the employer and the employee is often difficult for managers in all types of organizations. When Manager's discharge their responsibility with regards to employees motivation in the work place, it will foster high employees morale, employees will be made to put in their best and contribute positively to the growth of the organization.

In Nigeria, a critical analysis of many enterprises reveal that rewards given to employees leads to increased productivity, high profit maximization, waste and loss minimization, productive over time involvement, research for innovation and invention, high productivity with no supervision and competition among employees in order to be the best employee all these will amount to growth of the company and hence promoting the organisation's goodwill.

On the other hand, when employees are not motivated, the reverse will be the case. This is why in many organization, some employees are half alive half asleep Nnadi (2011). The interest in the job is no more there. The employees morale has been dampened. Employees at this level starts looking for a greener pasture, things are left to spoil with nobodies concern.

The researcher therefore felt it is necessary to investigate on the best strategy managers can adopt in motivating their employees successfully to ensure that organization achieve it's desired goal.

1.2 STATEMENT OF PROBLEM

Over the years, the poor performance of various industries in Nigeria has been a matter of concern and debate among academicians, writers, private officials and members of the public. The reason for this trend as well as the apportionment of the blame has formed the basis for a controversy. It is increasingly being realized by government and private workers that the problem parading the Countries economy lies in the negative attitude to work, lack of dedication and indolence among workers in various organizations. Employee lack a feeling of responsibility to his job and of pride in doing his work well. Most of the workers do so as a result of discriminative attitude of managers which leads to de-motivation.

The researcher wants to investigate on how far do managers motivate their employees.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study are as follows;

1. To examine the relationship between motivation and employees performance.
2. To identify factors which hinder effective motivation.
3. To find out the level of managers satisfaction.

1.4 RESEARCH QUESTION

In this study, efforts will be centered on investigating and critically analyzing the strategies managers adopt in motivating their employees with the aim of putting forward meaningful answers to the following questions:

1. Do you think that there is a relationship between motivation and employees performance.
2. What are the factors that hinder effective motivation.
3. How can we assess the level of managers satisfaction.

Answers to these questions will go a long way towards explaining the nature and relationship that exists between motivation in organization and employees productivity and performance.

1.5 RESEARCH HYPOTHESIS

In this research work, the following hypothesis will be tested.

Ho: There is no relationship between motivation and employees performance.

H1: There is a relationship between motivation and employees performance.

Ho: There are no factors that hinder effective motivation.

H2; There are some factors that hinder effective motivation.

Ho: Managers level of satisfaction cannot be assessed.

H3: Managers level of satisfaction can be assessed.

1.6 SIGNIFICANCE OF THE STUDY

Information gathered from the study could be used by managers of organizations for planning appropriate motivational measures for their employees. To other firms or co-operations, it will provide them with information concerning motivational instruments currently in use, this might also help them adjust if need be, their existing motivational strategies in the light of the findings of the study. Also, it will provide basis for which further research could be conducted.

Finally, it is believed that this research study will be of great use to the general public.

1.7 SCOPE OF THE STUDY

The scope of this study will be restricted purely to the Staff's of Power Holding Company of Nigeria(PHCN) so as to make room for more empirical analysis. It was felt that information gathered would provide a clear and typical picture of the conditions of employees in many Private Industries and Parastatals.

1.8 LIMITATIONS OF THE STUDY

A lot of constraints were encountered in the course of carrying out this research work. The researcher lacked sufficient resources to face the challenges of this research work. It was not easy to source for the adequate material to be used to

carry out this research. Indeed the researcher found it difficult to combine her circular work and the research work.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 THE CONCEPT OF MOTIVATION

Motivation has traditionally been referred to as the process by which people are moved to engage in particular behavior. According to Webster's New Collegiate Dictionary, a motive is “motivate, in turn, means ‘to provide with a motive,’ and motivation is defined as ‘the act or process of motivating’”. Thus, motivation is the

act or process of providing a motive that causes a person to take some action. In most cases motivation comes from some need that leads to behavior that results in some type of reward when the need is fulfilled.

Thus, motivation is what moves a person from boredom to interest. It works as a steering wheel of a vehicle that directs one's activities (Islam and Ismail, 2008). Motivation represents "those psychological processes that cause the arousal, direction and persistence of voluntary activities that are goal oriented" (Mitchell, 1982, p. 1). Other theories see motivation as being the efforts of the individual to direct their energy into completing tasks to the absolute best of their ability, so that they can be successful at work (MacMillan, 2007). Motivation can neither be seen, nor measured directly (Ambrose and Kulik, 1999). It is an inner drive or an external inducement to behave in some particular way, typically one that will lead to rewards (Oluseyi and Ayo, 2009). Motivation arises when individuals seek optimal satisfaction of certain needs (Anderfuhren, et al., 2010).

Although the term "motivation" can be used in different ways, in essence it refers to any sort of general drive or inclination to do something (Baumeister and Vohs, 2007). Motivation is categorized as either "extrinsic" (outside) or "intrinsic" (inside) (Mitchell and Daniels, 2003; Sansone and Harackiewicz, 2000). Extrinsic motivation refers to the influence on motivation level of external factors; examples of extrinsic motivation are salary, praise and status. On the other hand, intrinsic motivation refers to motivation that comes from inside the person. Intrinsic motivation reflects the internal desire of a person to satisfy inner needs, and this desire arises

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(2012) Vol. 4 No. 14 from emotions. Examples of intrinsic motivation include challenging tasks, pride in making differences or professional growth that may result from performing a particular activity. Intrinsic motivation is usually considered to be the reason why people do certain things without any external rewards.

2.3 CRITERIA FOR MOTIVATION

EFFEFTIVE LEADERSHIP

The term “leadership” has different interpretations and only few will be provided. The world book dictionary (1989, vs ‘leadership’) defines the concept leadership as “control, being in charge”. According to Webster’s New World Encyclopaedia (1990, vs ‘leadership’) the concept “leadership” refers to “a process or technique of managing, organizing and operating a business”. According to Prinsloo (1991, pg. 135), the concept “leadership” implies “including stakeholders to act for certain goals that represent values and motivations as well as aspirations and expectations of school managers and stakeholders.” Moorhead and Griffin (1989,p.347) defines leadership as the use of non-coercive influence to direct and co-ordinate activities of group members towards goal accomplishment.

Leadership is the activities of group members towards goal accomplishment. Leadership is the set of characteristics attributed to those who are perceived to employ such an influence effectively. A few essential points can be lifted from the preceding definitions such as inducing, control, being in charge etcetera. However, the definition that carries more weight is the one provided by Moorhead and Griffin, “non-coercive influence”. Leadership implies making people do what the leader wants, but this is not done in an aggressive manner. Managers are value-directed and they understand where the organization wants to go (vision) and they

point out the direction to their followers. Invariably, machines, materials, methods, markets and money (5M's) do not provide leadership, even though they are important for the growth and development of an organization (Mabale, 2004), and without effective leadership the factors such as money, equipment, people and machinery are sterile and useless (Kroon, 1990, p.87). It is in this context that Robinson (1992) states; a leader is not appointed because he knows everything and can make every decision. He is appointed to bring together everything and can make every decision. He is appointed to bring together the knowledge that is available and then to create the prerequisites for the work to be done. He creates systems that enable him to delegate responsibility for day-to-day operations through the statue leadership that is provided in an organization, employees may develop a positive work ethics.

In such organizations, employees are willing to achieve organizational objectives and targets because they know what is expected of them. One may conclude that effective leaders do not only blaze the trail and clear stumbling blocks that could hamper productivity; they also set high standards for job performance.

2.4 MOTIVATION AND BEHAVIOUR

2.4.1 McGregor's Theory X and Theory Y

The importance of understanding the relationship between motivation and behavior was propounded by M.C.Gregor (1960). He proposed that managers usually assume that employees are motivated in one or two ways. The traditional way is referred to as Theory X. This view suggest that managers assume that they must control, coerce and threaten in order to motivate subordinates. These managerial

actions are needed because employees: (a) inherently dislike work (b) they dislike responsibilities (c) have little ambition and want job security above all. Thus, a manager who accepts theory X would engage authoritarian and direct practice. These practices result from manager's assumptions about how and why subordinates behave the way they do. The opposite of theory X MC Gregor called Theory Y, he believes that theory Y was the reasonable alternative to the more traditional theory X approach. The manager using theory Y, assumes that employees are:

- (a) Not lazy and want to do challenging work.
- (b) Interested under proper conditions in accepting responsibilities.
- (c) Interested in displaying ingenuity and creativity.

An analysis of the two theories displays traditional distinction lying in the two assumptions that managers make about the needs of subordinates. If workers are assumed to have theory X needs, management will create higher controls and use coercion to motivate better performance. On the other hand, if Theory Y assumptions are made about subordinates, managers would probably seek to create an environment under which a full range of needs can be satisfied. In most cases, managers generally practice using bit of Theory X and some from Theory Y.

However, the degree of Theory X and Theory Y is important in the managerial world. The manager's behavior and approach has a significant impact on the behavior displayed by employees. Under the Theory X approach, the manager's role is to focus on the hygiene and to control and direct employees; it assumes that employees are mainly concerned about safety. In contrast, Theory Y managers focus on Herzberg's motivators and work to assist employees in achieving these

higher levels. In assessing this theory, researchers have found that approaching motivation from this either/or perspective is short-sighted.

2.4.2 Ouchi's Theory Z

This theory is rooted in the idea that employees who are involved in and committed to an organization will be motivated to increase productivity. Based on the Japanese approach to management and motivation, Theory Z managers provide rewards, such as long-term employment, promotion from within, participatory management and other techniques to motivate employees (Ouchi, 1981).

2.4.3 Scientific Management Theory-Frederick Taylor

Taylor focused on studying job processes, determining the most efficient means of performing them, and in turn rewarding employees for their productivity and hard work. This theory assumes that people are motivated and able to continually work harder and more efficiently and that employees should be paid on the basis of the amount and quality of the work performed. Over time, this approach is limited by the capacity of employees to continue to increase the quantity of work produced without sacrificing the quality.

2.4.4 McClelland's Acquired Needs Theory

The idea here is that needs are acquired throughout life. That is, needs are not innate, but are learned or developed as a result of one's life experiences (McClelland, 1985). This theory focuses on three types of needs:

- a. **Need for achievement-** which emphasizes the desires for success, for mastering tasks and for attaining goals;
- b. **Need for affiliation-** which focuses on the desire for relationships and associations with others; and
- c. **Need for power-** which relates to the desires for responsibility for, control of and authority over others.

All these theories approach needs from a somewhat different perspective and are helpful in understanding employee motivation on the basis of needs.

2.4.5 Herzberg's Two Factor Theory

Herzberg (2003) further modified Maslow's needs theory and consolidated it down to two areas of needs that motivated employees. These were termed;

- a. **Hygienes-** These were characterized as lower level motivators and included; salaries, company policy and administration, supervision, interpersonal relationships, working conditions, salary, status and security.
- b. **Motivators-** These emphasized higher level factors and focused on aspects of work, such as achievement, recognition for achievement, the work itself, responsibility and growth or advancement.

Herzberg's is an easily understood approach that suggests that individuals have desires beyond the hygiene and that motivators are very important to them.

2.4.6 Reinforcement Theory—B.F.Skinner (1953)

This theory studies human behavior and proposed that individuals are motivated when their behaviours are reinforced. His theory is comprised of four types of reinforcement. The first two are associated with achieving desirable behaviours, while the last two addresses undesirable behaviours:

- a. Positive Reinforcement-** Relates to taking action that rewards positive behaviours;
- b. Avoidance learning-** Occurs when actions are taken to reward behaviours that avoid undesirable or negative behaviours. This is sometimes referred to as negative reinforcement.

While all these theories are helpful in understanding management and motivation from a conceptual perspective, it is important to recognize that most managers draw upon a combination of needs, extrinsic factors, and intrinsic factors in an effort to help motivate employees, to help employees meet their own personal needs and goals and ultimately to achieve effectiveness and balance within the organization. Managers typically take into account most of the aspects upon which these theories focus. That is, expectancy, goal setting, performance, feedback, equity, satisfaction, commitment and other characteristics are considered in the process of motivating employees.