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Investigating The Impact of Strategic Business Analysis on SMEs in Nigeria

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Abstract: This paper examines the critical role of business analysis in shaping small and medium-sized enterprises' strategies for better odds of success in the ever-evolving Nigerian economy and within the competitive markets. Business analysis ability, as a knowledge-supporting factor, focuses on understanding consumer needs, planning, data collection, analysis, and presentation to decision-makers. The process begins with strategic planning and meticulous data collection, facilitating a deep understanding of the business and consumer behavior and process potential. Analytical skills unearth the true potential of organizational processes, particularly in product creation, resulting in distinctive and highly valued products. Such products align with theories like the resource-based view or VRIO theory, driving increased sales volume—a key performance metric. By leveraging analytical capabilities, Nigerian SMEs can navigate complex market dynamics, create value-driven businesses, and differentiate themselves from competitors thus increasing the odds of success. This paper sets the stage for further research into the impact of business analysis on organizational success within dynamic market landscapes.

Keywords: business analysis; SMEs; business strategy

1. Introduction

In Nigeria, the commendable SMEs play serious roles in the Nigerian economy and which are often underreported [1] contribute not only to stimulating the Nigeria economy but rather to providing thousands of jobs to teaming young populations of the country, SMEs' impact additionally have been acknowledged in preparing Nigeria's workforce for the future of work through skill acquisition, tech talents transfer, and is increasing the living livelihoods and entrepreneurial spirit of the Nigerians [2] and also more notably and as reaffirmed in the research work conducted by [3] Nigerian SMEs, play a crucial role in stimulation of economy, particularly in the manufacturing sector and value chain. However, as much as this may be true, the existential threat facing SMEs in Nigeria is too enormous from government inconsistencies in policies, to continuous reduction of the purchasing power of the people owned by a very unstable economy [4]; SMEs in Nigeria despite their promising outlooks to Nigeria economy, they operate in an economy situation that is deem to be abnormal, a very challenging climate which makes it even very difficult for SMEs already struggling to survive, an economy characterized by lack of financing, huge infrastructural deficits, civil unrest [5].

Numerous studies conducted into the factors contributing to the success or failure of SMEs, encompassing issues like poor financial management, and more notably a strategic business analysis [7]. For a business to survive in this kind of economy requires the owner's rigidity, perseverance, clear in-depth understanding of the business, its market, and exactly how the distribution of such would be carried out makes it very easy for the target market to buy; more summarily, a business hoping to survive in Nigeria unstable and fragile economy must begin with a clear business roadmap, a strategic analysis of the business must first be carried out during this process, the external factors

that may hinder the growth of the business among many others factors would have been considered and adequate mitigating arranged [6].

Spirited efforts and various reforms by the government to support the growth of SMEs, interventions rolled out over the recent years to enhance the odds of SMEs surviving and contributing to Nigeria's economy have yielded no concrete results this was evidenced by the numbers of SMEs pulling out of business in the years. According to a report by Punch newspaper which reported that about 80 percent of SMEs fail before their fifth anniversary due to harsh economic environments, lack of access to capital, and poor business practices, which have stunted the growth and transition of micro-businesses, a new report has said [8].

While the government continues its intervention and initiatives to address external challenges, especially those that are outside of what the SMEs owners can control, however, the owners and managers of SMEs must develop as a matter of urgency begin to look into the foundation upon which their business is based, assumptions that informed their decisions to begin the business in the first instance, doing this, business owners (SMEs) must immediately undertake a comprehensive analysis of their business with the hope of a more understanding of critical components, target market, the metrics that made up the SMEs and based on this understanding, redraw a clear roadmap that could make it easy to build success out of the business and also that could help them in developing practical plans and strategies to capitalize on government palliatives and interventions for SMEs and ensure sustainable growth.

Drawing insights from research in developed economies, which do not encounter some of the challenges faced by Nigerian SMEs, this paper emphasizes the effect of business analysis on SMEs in Nigeria to assess how strategic business analysis practices impact the performance, growth, and sustainability of small and medium-sized enterprises (SMEs) within the Nigerian business scene and in the unstable economy of today. This research endeavors to uncover the specific ways in which business analysis methodologies can enhance decision-making, operational efficiency, and overall competitiveness among SMEs operating in Nigeria's dynamic economic environment.

The remainder of this paper is organized as follows. Section II gives a review of the related theories. Section III discusses the research materials while Section IV provides the results and discussions the last section, section V shares the conclusion and recommendations.

2. Related Work

The chapter critically examines the existing body of research concerning the empirical validation of strategic planning practices among small and medium-sized enterprises (SMEs) in Nigeria. Its primary objective is to assess how strategic planning contributes to the performance of SMEs within the Nigerian business landscape. By going into past research, the review aims to establish the context of the current study, identify gaps, trends, and patterns, and understand the diverse views and features presented by past authors.

Debates among scholars regarding the benefits of strategic planning on SME performance are highlighted. Numerous studies suggest a positive correlation, indicating increased profits, sustained existence in turbulent economic climates, and substantial profit growth [9,10]. However, conflicting findings are also evident in other studies, suggesting either no correlation or indifferent results. For some academics, geographical conditions and specific factors, such as trading terms and the nature of business ownership, shape the relationship between strategic planning and SME success.

Business analysis emerges as a pivotal factor in shaping organizational strategy by aligning with consumer needs and product requirements [11]. It involves activities such as data collection, planning, analysis, and presentation to stakeholders. This comprehensive approach guides business development and promotional strategies, initiating from data gathering to final presentation [12]. Examining organizational factors influencing business analysis capabilities reveals three key dimensions: expertise capability, technology capability, and information capability. Expertise capability hinges on skilled individuals possessing domain knowledge and a deep understanding of organizational objectives. They exhibit a propensity for acquiring and sharing knowledge, employing creative problem-solving skills to drive the success of SMEs [12].

Initiating a business analysis involves strategic planning and the meticulous collection of relevant data. A comprehensive analysis of this data enables organizations to gain insights into consumer behavior and identify opportunities for improvement [13]. Analytical skills play a crucial role in uncovering the true potential of processes, particularly in the realm of product creation. SMEs development through thorough business analysis is characterized by their uniqueness and high value to consumers, aligning with the resource-based view or VRIO theory. This strategic approach not only enhances business differentiation but also contributes to increased sales volume, a key performance metric.

This review underscores the significance of business analysis in guiding organizational strategy and product development efforts. By leveraging analytical capabilities to understand consumer needs and behaviors, organizations can create distinctive products that drive value and contribute to overall performance metrics. This review lays the groundwork for exploring the impact of business analysis on organizational success within the context of the research paper.

3. Material and Methods

This study adopts a nuanced epistemological and ontological framework to understand the impact of strategic business analysis on SMEs in Nigeria. Epistemologically, we embrace constructivism, recognizing the roles an analysis of business could play in building a sustainable business that can withstand Nigeria's harsh economic reality. Qualitative methods like questionnaires, interviews, and observations uncover the entrepreneur's approach to SMEs, reveal SMEs trends, and why 80% failed within the first five-year

Ontologically, we adhere to realism, acknowledging objective realities shaping SMEs in Nigeria's economy. Quantitative approaches, including surveys and performance metrics, aim to identify empirical patterns in SMEs especially how well analyzing business helps in building a successful. Our mixed-methods design capitalizes on the strengths of each paradigm, offering comprehensive insights.

Qualitative oral interviews with small-scale business owners and selected interviews with business analysts provide rich perspectives on the impact of business analysis on SMEs. Focus groups enable collective exploration of shared experiences. Stratified random sampling ensures a diverse representation of businesses across various sectors of the economy. Ethical considerations prioritize informed consent, confidentiality, and anonymity of responders. Our study's epistemological and ontological foundations provide a robust framework for investigating the impact of business analysis on SMEs in Nigeria. Through qualitative and quantitative integration, we aim to contribute valuable insights to education research.

A. Sampling of SMEs

This study employed a mixed-methods approach, combining both quantitative and qualitative research methods. Data were gathered through survey questions, oral interviews, and their respective analysis. The research involved 10 active SMEs which cut across education, financial, and manufacturing sectors in Ondo State, Nigeria. The selection was carefully chosen to ensure representation across major sectors of Nigeria's economy. Participants were selected having voluntarily volunteered to participate in this study; Also another 10 randomly selected failed SMEs were selected and their founders were interviewed. This allows a more in-depth understanding of the factors that affect and contribute to SMEs' death and success in Nigeria especially with regards to strategic business analysis on SMEs.

B. Research Design

We adopt an experimental research design to discern the influence of strategic business analysis on SME performance in Nigeria. Structured survey questionnaires facilitate systematic exploration, aligning with [14] notion of structured research for precise deductions. This approach enables a controlled investigation into the cause-and-effect relationship between strategic analysis and SME outcomes, emphasizing the methodology's quantitative focus for rigorous analysis. We aim to interpret perceptions of strategic analysis among SME owners and managers. The experimental

design allows for controlled variations, facilitating insights into the effectiveness of strategic analysis practices. Simple random sampling ensures fair representation, with approximately 20 SMEs included in the study. Ethical consent forms precede survey dissemination, ensuring transparency and voluntary participation. Digital formats optimize data collection efficiency, fostering timely responses for robust analysis.

C. Analysis Technique

In our study on the "Impact of Strategic Business Analysis on SMEs in Nigeria," qualitative data analysis is crucial for understanding the intricate dynamics of strategic analysis practices in SMEs. Content analysis emerges as the preferred method, enabling the identification of prevalent concepts and theories within qualitative data. This approach allows for the quantification and analysis of relationships and meanings embedded in strategic business analysis practices.Content analysis serves as a comprehensive tool to discern recurring themes and patterns, offering insights into the qualitative dimensions of strategic analysis. By systematically examining textual and contextual elements, we aim to unravel the underlying meanings of strategic business practices among SMEs in Nigeria.

This qualitative exploration transcends mere frequency counts, providing a holistic understanding of how strategic analysis influences SME performance. Through this method, we seek to capture the essence of strategic analysis in SMEs, contributing to a comprehensive perspective on its impact on SME performance in Nigeria.

D. Research Hypothesis

Drawing inspiration from past research, particularly the work of [15], who reviewed over fifty studies on strategic planning in small business settings between 1953 and 1983, this research addresses key issues:

a. Empirically confirming the presence or absence of strategic business analysis practices within Nigerian SMEs.
b. Presenting empirical evidence of the value of strategic planning to small and medium-sized businesses.

To substantiate the presence or absence of strategic planning practices among Nigerian SMEs, this research relies on the analysis of primary data collected from participants. The evaluation includes activities aligned with strategic planning processes, such as goal and objective setting, mission statements, environmental scanning, strategy formulation, alternative strategies, implementation processes, personnel assignment, and the establishment of control.

4. Results and Discussion

Table 1 below is a result of the distribution of questionnaires to 20 respondents who are SMEs owners in Ondo State, Nigeria.

Table 1. Respondent Profile.

Profile

Gender	Male	80%
	Female	20%
Age	15-20	0%
	20-25	10%
	25-30	38%
	30 Above	52%
Business Type	POS	25%
	Convection	35%
	Edu Centers	5%

	Livestock	35%

The table shows that 80% of SMEs owners are male while 20% are female, this isn't enough to conclude that Nigerian SMEs are male-dominated however this result is strong proof that indeed many men are risking it out trying to stimulate the Nigerian economy with their business activities. It could also be seen that the majority of our respondents are 30 years and above and most of them are either in the convection business or livestock, a sub of agriculture.

Table 2 shows the extent to which strategic business analysis is integrated into SMEs' decision-making processes. The respondent's responses are populated across the following in the table

Table 2.

Variable	Percentage %
Low	45%
Moderate	40%
High	15%
Very high	0%

The percentages represent the perceptions of SME owners regarding the integration of strategic business analysis within their businesses. Approximately 45% of SME owners perceive the level of strategic business analysis to be low, suggesting that a significant portion of SMEs may not prioritize or fully utilize strategic analysis in their decision-making processes. Furthermore, 40% of SME owners perceive the level of strategic business analysis to be moderate, indicating room for improvement in implementation and effectiveness. Conversely, only 15% of SME owners perceive the level of strategic business analysis to be high, suggesting that a minority of SMEs have successfully integrated strategic analysis into their operations. Surprisingly, none of the surveyed SME owners perceive the level of strategic business analysis to be very high, indicating that optimal levels of strategic analysis implementation have not been achieved by any of the surveyed SMEs.

The implications of the results suggest a mixed landscape regarding the integration of strategic business analysis among SMEs in Nigeria. With 45% of SME owners perceiving low levels of strategic analysis, there's a notable gap in strategic prioritization and utilization. The 40% reporting moderate levels signal potential opportunities for enhancement and improvement in strategic implementation. However, the relatively low 15% of SME owners perceiving high levels of strategic analysis underscore the challenges faced in fully integrating strategic practices within SME operations. Furthermore, the absence of any SME owner perceiving very high levels suggests that optimal strategic analysis implementation remains elusive across surveyed SMEs. These findings imply a need for targeted interventions and support mechanisms to bolster strategic analysis capacities among SMEs in Nigeria.

Table 3 shows the extent to which SMEs owners believe that strategic business analysis contributes to the overall success and growth of their business.

Table 3.

Variable	Percentage %
Not at all	10%
Slightly	15%
Significantly	30%
Extreme	45%

The responses to the second research question present a contrasting picture compared to the responses to the first question regarding the integration of strategic business analysis among SMEs

in Nigeria. While 45% of SME owners perceive the level of strategic analysis to be very high, indicating a strong recognition and utilization of strategic practices, 30% perceive it to be high, suggesting a significant proportion of SMEs prioritize strategic analysis to a notable extent. However, a combined 25% perceive the level of strategic analysis to be moderate or not at all, signaling potential gaps or inconsistencies in strategic implementation across SMEs.

This discrepancy in perceptions underscores the diversity in strategic approaches and capacities within the SME sector. The high percentage of SME owners perceiving very high levels of strategic analysis may suggest pockets of excellence and innovation within the SME landscape, highlighting potential best practices for others to emulate. Conversely, the presence of moderate and low perceptions emphasizes the need for targeted interventions to enhance strategic capabilities and foster a more widespread adoption of strategic analysis practices among SMEs in Nigeria which may see more businesses surviving the harsh economic reality.

Table 4 shows the specific analysis techniques or tools that SMEs use to assess market opportunities and threats.

Table 4. Strategic Business Analysis Techniques or Tools.

Variable	Percentage %
SWOT Analysis	65%
PESTLE Analysis	15%
Porter's Five Forces	0%
Scenario Planning	5%
Other	0

Table 4 provides valuable insights into the specific strategic analysis tools and techniques employed by SMEs in Nigeria, within the context of this paper. The dominance of SWOT analysis, reported by 65% of respondents, underscores its widespread adoption and recognition among SMEs as a versatile tool for assessing internal strengths and weaknesses, as well as external opportunities and threats. This prevalence aligns with the importance of SWOT analysis in strategic planning and decision-making processes, indicating its relevance and practicality within the SME sector.

The relatively lower percentages for PESTLE analysis (15%) and scenario planning (5%) suggest that while these tools are recognized, they are less commonly utilized compared to SWOT analysis. The absence of responses for Porter's Five Forces and "other" tools may indicate either limited familiarity or application within the surveyed SMEs.

When considering the previous responses, the high percentage of SME owners perceiving moderate to very high levels of strategic analysis (as indicated in the first research question) suggests that SWOT analysis, being the most prevalent tool, may be instrumental in driving strategic thinking and decision-making processes among SMEs in Nigeria. However, the limited use of other tools highlights potential areas for diversification and enrichment of strategic analysis practices within the SME sector. This indicates an opportunity for SMEs to explore and incorporate a broader range of strategic analysis tools to enhance their decision-making processes and competitiveness in the Nigerian business landscape.

In attributing the major challenges that hinder the SMEs' growth in Nigeria and implementation of strategic business analysis within SMEs in Nigeria, this was an oral interview which was transcribed, it could be told that lack of finances to carry out comprehensive market analysis and limited access to market data and information are attributed as major blocks however this may be, respondents who did navigate through these challenges affirmed that strategic business analysis helped in reshaping the way he viewed his business and was able to provide a direction that meets the market trends and thus was able despite the current economy situations continue to survive and when asked about government interventions, many believed that the real entrepreneurs that require this special intervention aren't getting it which suggest a manipulative of government aids by the

disbursing agencies of government and several policies aren't felt in daily operations of their business.

5. Conclusion and Recommendation

The findings from the oral interviews shed light on critical challenges hindering SME growth in Nigeria, particularly concerning the implementation of strategic business analysis. Lack of finances for comprehensive market analysis and limited access to market data emerged as prominent obstacles faced by SMEs. However, amidst these challenges, respondents who successfully navigated them attributed their resilience and adaptability to the adoption of strategic business analysis. This strategic approach enabled them to align their business direction with market trends, thereby sustaining their enterprises despite challenging economic conditions. Moreover, respondents expressed skepticism regarding the efficacy of government interventions aimed at supporting SMEs. Many perceived a disconnect between government policies and their practical impact on daily business operations. The perceived mismanagement of government aid by disbursing agencies further underscored the need for more transparent and effective channels of support for SMEs.

In conclusion, the research underscores the pivotal role of strategic business analysis in enhancing SME resilience and competitiveness in Nigeria. Despite facing formidable challenges, SMEs that embraced strategic analysis demonstrated a capacity to adapt and thrive. However, there is a pressing need for more accessible financial resources and market information to facilitate the broader adoption of strategic analysis practices among SMEs. Additionally, government interventions should be reevaluated and streamlined to ensure they effectively address the genuine needs of SMEs and contribute to sustainable growth. By addressing these challenges and leveraging strategic analysis tools, SMEs in Nigeria can better navigate uncertainties and capitalize on emerging opportunities in the evolving business environment.

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