

Adopting Effective Business Techniques in Nigeria: A Justification in the Context of Swot Analysis

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Abstract

Today's business environment necessitates the adoption of effective management techniques if a business organization must flourish. This study examined the need for the adoption of effective business techniques in Nigeria. Data was obtained from secondary sources such as books, journals, periodicals, newspapers, the internet, etc. The systems theory (Von Bertalanffy, 1973) was adopted as the theoretical framework while the methodology followed content analysis. Results showed that a modern business can only flourish by adopting strategic management tool of SWOT analysis which enables the business to leverage on its strengths, weaknesses, opportunities and threats to know the way forward and effect necessary adjustments. The study therefore, suggested the use of SWOT analysis by Nigerian firms to enhance their ability to adjust to emerging challenges in their business environment (Internal and external).

Background to the Study

The contemporary global business environment has amplified the need to consider how to address customer needs more astutely as well as capture value from the provision of new products and services. This means that, in the absence of a well-developed business model, innovators will fail to either deliver or capture-value from their business. Businesses have the need to be more customer – centric, especially as technology has evolved to allow the lower cost provision of information and customer solutions. New communications and computing technology, and the establishment of reasonably open global trading regimes, mean that customers have more choices, variegated customer needs can find expression, and supply alternatives are more transparent. The bottom line is that developments in the global economy have changed the traditional balance between customer and supplier.

A business plan provides the means to determine whether the business idea is sustainable and how to raise funds for the business, explain the order and values of the company to the new employed and plan the growth of the new services. Such a plan functions as an outline of the company and is written document that explains where a business is heading, how to achieve the expected goals and objectives, why the products and services are necessary in the market and what has to be done in order to meet the business objectives. The creation of a business plan doesn't not guarantee that there will be no problems; however, it gives hope to managers and entrepreneurs to take actions when problems are confronted. It needs be underscored that the most important reason for preparing a business plan is to secure capital since the plan is the single most important document to be displayed when meeting with banks and potential investors whether in the early stages of establishment or later stage of the business.

Sometimes, taking the leap of faith to move away from doing things the way they have always been done and implementing change is a difficult hurdle for management or business owners to overcome. This notwithstanding, it is quite necessary to gain an analytical insight on where your business is positioned in the market as it enables you determine the direction in which your business should head in order to achieve the desired objectives. This is precisely what a detailed business strategy document can enable an entrepreneur or manager to achieve. Such strategies are often lacking in most Nigeria businesses. It is believed that most Nigerian businesses collapse due to lack of effective strategies. A business strategy outlines the tactics, methods and pathways that can be employed by a business to achieve future goals. It is worrisome to note the obvious experience of small and medium scale enterprises (SMEs) in Nigeria whose performances are so abysmal that most of them hardly survive their fifth birthday celebrations. Entrepreneurs and managers need to ascertain the future performance of these businesses to forestall their poor performance. They need to ascertain the strengths, weaknesses, opportunities and threats before their business. These constitute the key facts around which the operations of any business should revolve. It is against this background that this study seeks to interrogate the justification for the adoption of SWOT analysis as an effective business strategy in the Nigerian business environment. Specifically, the study will attempt to:

1. Justify the need for Nigerian businesses to understand their strengths
2. Examine the necessity of knowing the opportunities available to Nigerian Businesses
3. Ascertain the importance of realizing the weaknesses of Nigerian business concerns, and
4. Reveal the essence of realizing the threats which face the Nigerian business.

Research Questions

Four questions will be addressed in this study. They include:

1. Does the average Nigerian business require an understanding of the 'strengths' of the business?
2. What need does the Nigerian business have in knowing the 'Opportunities' available to the organization?
3. Why is it important for the Nigerian business to realize the 'Weaknesses' of the business?
4. What does the business in Nigeria stand to gain by realizing its 'Threats'?

Literature Review

Conceptual Literature

Business Model: A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. Also, it outlines the architecture of revenues, costs, and profits associated with business enterprise delivering that value. In essence, a business model embodies nothing less than organizational and financial 'architecture' of a business. It is not a spread sheet or computer model, although a business model may well become embedded in a business plan and in income statements and cash flow projections. Business models are necessary features of market economies where there is a consumer choice, transaction costs, and heterogeneity amongst consumers and producers, and competition.

Strengths: This refers to a positive, favourable and creative characteristics. It implies a characteristic of value addition to something. Strength means that something is more advantageous than some others. At the organizational level, strength involves properties and abilities which put the organization at advantage than others. This is to say that organizational strength defines those characteristics and situations in which an organization is more effective and efficient when compared to other competitors. Dincer (2007), clarifies that, "an organization may be described as strong, equal or weak compared to their competitors based on five criteria: relative market situation, relative financial structure, relative production and technical capacity, relative research and development potential, relative human capacity and management effectiveness". To support this view, Thompson and Strickland (1989), define 'strength' as "something an organization is good at doing or a characteristic the organization has that gives it an important capability". However, Pearce and Robinson (1991) believe that, "strengths may exist with regard to financial resources, image, market leadership, buyer/supplier relations, and other factors". Organizational strengths consist of the organizational competencies which play an active role towards the attainment of organizational goals.

Weaknesses: Weakness results when the form and competencies required to attain something is lacking. It is therefore a negative feature which points to the fact that something is negative and unfavorable. Hence, Thompson and Strickland (1989) assert that, “a weakness is something an organization lacks or does poorly in comparison to others, or a condition that puts it at a disadvantage”. The implication of this definition is that “a weakness is a limitation or deficiency in resource, skills and capabilities that seriously impede an organization's effective performance. Facilities, financial resources, management capabilities, marketing skills, and brand image can be sources of weaknesses” (Pearce and Robinson, 1991).

Opportunities: These are external attractive factors which present the hope that the organization has a bright future. They arise when an organization can take advantage of its environment to plan and execute strategies which enable it to become more profitable. Examples of opportunities include: rapid market growth, rival firms being complacent, changing customer needs/taste, new uses for product discovered, economic boom, government deregulation, sales decline for a substitute product. Opportunity is associated with positivity and favorable features which constitute an advantage and the driving force to launch into an activity. It therefore implies a situation or condition that is suitable for an activity. Harrison and St. John (2004) believe that, “opportunities are conditions in the external environment that allows an organization to take advantage of organizational strengths, overcome organizational weaknesses or neutralize environmental treats”

Threats: This is a disadvantageous situation which is associated with negative characteristics that should be avoided. Threat is a situation that jeopardizes the actualization of an activity. At the organizational level, a threat is an element that makes it difficult or impossible to reach the organizational goals. Ulgen and Mirze (2010), believed that “threats are situations that result from the changes in the distant or immediate environment that would prevent the organization from maintaining its existence or lose its superiority in competition and are not favorable for the organization”. Such threats constitute an impediment to the smooth running, success of the organization, and cause irrecoverable damages.

Empirical literature

This study reviews relevant works on the subject matter in a tabular format as follows:

Table 1: Past and Current Works on Effective Business Techniques & Swot Analysis in Nigeria

Name of researcher(s) year and Title of study	Geographical and content scope covered	Data sources/ analytical tools	Findings/conclusion/recommendations
Ommani (2001) Strengths weaknesses, opportunities and threats (SWOT) analysis for farming system businesses management: Case of wheat farmers of Shadervan District Shoushtar Township, Iran	Iran: Shadervan District, Shoushtar Township Strengths, Weaknesses, opportunities and threats (SWOT)	Primary data. Population of the study was N=1950, Sample size n=165 which was selected by random sampling	Based on the results of study strategies for farming system management were prioritized. The strategies include -- development of poor local market opportunities and infrastructure, planting of crops with high economic values, development of governmental supports, preparing strategic plans for development of organic farming considering the quality of crops, considering the farm sustainability indexes, etc.
Oreski (2012) Strategy development by using SWOT-AHP	Croatia: SWOT-AHP, Strategy development	Secondary Sources of data were employed in the study	The research results have the potential for large application in defining the strategy for the development of tourism.
Ifediora, Idoko and Nzekwe (2014) organization's stability and productivity- the role of SWOT analysis; an acronym for strengths, weaknesses, opportunities and threats	Nigeria: Organization, stability and production: Role of SWOT analysis	Secondary data were employed in the study	The study identified what constitute strengths, weaknesses, opportunities and threats in the two schools under investigation.

Theoretical Framework

Systems theory (Von Bettalamffy, 1973)

According to systems theory, components of each system are structured in a hierarchical order. These components are interdependent with one another in the system to the extent that one component cannot function without the support of other components. Components of a system can be tightly coupled, where the components are closely interdependent, or loosely coupled, where the smaller subsets of tightly connected components are loosely connected to one another. At the organizational level, the organization and other organizations in the environment are also interdependent on one another. Underlying this interdependence are the permeable boundaries, both within and among organizations. Invariably, social organizations have to maintain permeable boundaries of a certain degree in order to receive materials or export products to survive. The process or receiving resources (input) and exporting products (output) is the exchange process. When the raw materials are received, components of a system will work together to transform the materials into products exported to the environment. During this throughput process, the system is engaged in two types of feedback mechanisms: negative and positive. Accordingly, because of these processes, the totality of a system is greater than the sum of its parts. This is the concept of holism.

The systems theory is an interdisciplinary theory about every system in nature, in society and in many scientific domains as well as a framework with which we can investigate phenomena from a holistic approach (Capra, 1997). The systems thinking emanates from the shift in attention from the part to the whole (Checkland, 1997; Weinberg, 2001; and Jackson, 2003), considering the observed reality as an integrated and interacting unicum

of phenomena where the individual properties of the single parts become indistinct. In the views of Luhmann (1990); Golinelli (2009), “the relationships between the parts themselves and the events they produce through their interaction, become more important, with the result that “system elements are rationally connected” the organization can be likened to a system while the essence of the application of SWOT analysis to achieve effective business/organizational management is to ensure the functionality of all components/parts of the organization in a holistic approach. This informs the choice of this theory as the theoretical framework of this current study.

Methodology

In this study, data was obtained from secondary materials including books, journals, periodicals, newspapers, and the internet. It was an expository study which seeks to justify the need for business organizations to learn to employ SWOT analysis to fashion the direction of business activities in a contemporary Nigerian society. The methodology adopted is content analysis which ran in the following order-

Research Question One (1): Does the average Nigerian business require an understanding of the 'strengths' of the business organization?

Strength is the feature which adds value to something and makes it more special than others. At the level of the organization, “strength” involves properties and abilities by which an organization gains an advantage over other organizations and competitor organizations that are revealed as a result of the analysis of its internal environment. The organization strength defines the characteristics and situations in which an organization is more effective and efficient compared to their competitors. Thompson and Strickland (1989), posit that, “a strength is something an organization is good at doing or a characteristic the organization has that gives it an important capability”. Having strengths and being strong are quite important for a business establishment. An organization needs to know the potential that it has before going into action. This enables the organization to make good use of the opportunities created by the outside environment. According to Ulgen and Mirze (2010), “the organization has to answer to the threats of the outside environment by using its strengths. All these issues highlight the importance of organizational strengths”.

A study by Ifeddiora, Idoko, and Nzekwe (2014), on “the role of SWOT analysis,” underscores the point that, “if an organization does not make necessary effort to identify its strength, weakness, opportunities and threat, such organization is bound to fail in the area of productivity as such an organization will not be stable”. This shows that every organization needs to know its areas of strength to flourish. Nigeria business organizations face strict competitions in an unstable environment. Such businesses should make 'strength' identification a priority before embarking on their activities.

Research Question Two (2): Why is it important for the Nigerian business to realize the 'Weakness' of the organization?

Weakness is a negative attribute which points to the lack of the form and competency required to function. At the level of the organization, weakness refers to situations in which the current existence and ability/capacities of an organization are weaker compared to other organizations. Organization weakness means the aspects or activities in which an organization is less effective and efficient compared to its competitors. Thompson and Strickland (1989) are of the opinion that, "weakness is something an organization lacks or does poorly in comparison to others, or a condition that puts it at a disadvantage" Pearce and Robinson (1991) outline, "facilities, financial resources, management capabilities marketing skills, and brand image as sources of weaknesses". Just like it is important to identify its strengths, an organization also requires the knowledge and identification of its weaknesses. This is because it can be disastrous to build upon weaknesses by any organization. Thus, the organizational weaknesses which have the potential to lead the organization to inefficiency and ineffectiveness should be known and improved. It is obligatory that problems which would create difficulties and limitations for long-term plans and strategies are addressed from the onset. Galea and Sammut-Bonnici (2015) in their paper titled, "SWOT Analysis" submit that internal analysis (which covers strengths and weaknesses) is critical in identifying the source of competitive advantage". Such an analysis identifies resources, capabilities, core competences, and competitive advantages.

Research Question Three (3): What need does the Nigerian business have in knowing the 'Opportunities'

Opportunities may arise from market, competition, industry, government and technology. When they arise, a firm should strive to grasp such opportunities. An organization takes advantage of conditions in its environment to plan and execute strategies that may come in form of – best prospects, competitive advantage, good match with what we have to offer. The study on the 'role of SWOT analysis by Ifediora, et al (2014) states that, for an organization to actually remain stable and productive, efforts should be made to identify what constitutes its opportunities", among others. In a related development, the paper on 'SWOT Analysis' by Sammut-Bonnici and Gilea (2015), it was revealed that external analysis identifies market opportunities and threats by looking at the competitors' environment, the industry environment and the general environment. While the competitors' environment is an analysis of the resources and functions of each rival firm, the industry environment is reviewed through the five forces framework of competitive rivalry, new entrants, suppliers, buyers and product substitution. Opportunities constitute a major component of the external environment. Such an environment is analyzed in terms of political, economic, sociocultural, technological, ecological, demographic, ethical, and regulatory implications. Every business needs to be aware of its 'opportunities'

Research Question Four (4): What does the business in Nigeria stand to gain by knowing its 'threats'?

Threat is associated with a situation that places an organization in a disadvantageous situation such that the prospects of actualization of an activity is jeopardized. An organization should always take steps to avoid such situations.

Ulgen and Mirze (2010) observe that;

Threats are the situations that come out as a result of the changes in the distant or immediate environment that would prevent the organization from maintaining its existence or lose its superiority in competition, and that are not favorable for the organization.

All environmental factors that can impede organizational efficiency and effectiveness are threats. They constitute impediments to the success of the organization and cause irrecoverable damages.

A study on “Correlation SWOT analysis” by Sandybayer and Derkan (2015) provides an empirical support on the need for a business to understand its “threats”. The paper holds as follows:

Unquestionably, the philosophy of modern strategic management (as opposed to traditional rationalism) is based on the system and situational approach. Business organization, is seen as an “open” system. The main prerequisite for success is sought not in side but outside of it and the success of the activities associated with how quickly and successfully the organization adapts to the fast changing economic, sociopolitical, socio-cultural environment.

Political complication, financial and competitive environment, risk and unpredictability, are stark realities of the contemporary business organization. The implication is that, restructured strategic planning and management should be articulated to ensure quick and appropriate response to the organization in order to maintain and strengthen its competitiveness, ambition and competence. The point to begin from is identifying and understanding the strengths, weaknesses, opportunities and threats of the organization.

Findings

This investigation revealed the following:

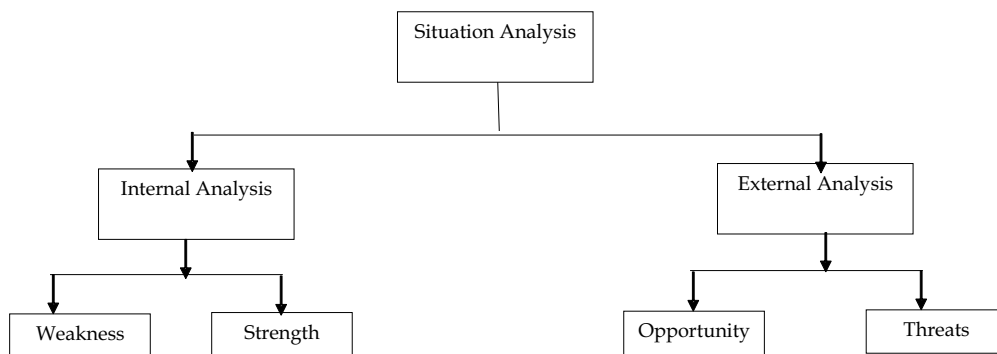
1. An organization needs to know the potential that it has before going into action; this enables the organization to make good use of the opportunities created by the outside environment.
2. An organization cannot be stable if it does not make adequate effort to identify its strengths. Such an organization will fail in the area of productivity.
3. Weaknesses are negative and put the organization to disadvantage situation. An organization needs to know them and avoid building on them
4. Some sources of weakness include: Facilities, financial resources, management capabilities, marketing skills, and brand image.
5. To remain stable and productive, effort should be made to identify what constitutes its “opportunities” by the organization.

6. Opportunities are major components of an organization's external environment. They are analyzed in terms of political, economic, socio-cultural, technological, ecological, demographic, ethical, and regulatory implications.
7. All environmental factors which can impede organizational efficiency and effectiveness are “threats”.
8. Threats may manifest in the form of political or financial complications, competitive environment, as well as risks and unpredictable situations.

Conclusion

The contemporary business environment presents a reality whereby organizations are saddled with obvious challenges and problems. The only way a business can survive and flourish is by genuine efforts to identify and understand its environment. Thus, for the business to thrive, there is the need for a situational analysis as presented below:

Fig.1



Source: Compilation by researcher

The above figure illustrates the nature and pattern which every organization should carry out before embarking on its activities. Thus, the situation analysis involves the internal and external analysis which end up in the identification and listing the weaknesses, strength (internal analysis) and opportunities and threats (external analysis). When the above (strength, weaknesses, opportunities and threats are listed, the organization should ensure that findings of the SWOT analysis are used in subsequent planning. Finally, such findings should be revisited at suitable time intervals. This is one sure way to achieve a flourishing business. Hence, Nigerian business must learn to key into this business technique as the technique has been found quite effective in many business environments.

Suggestions

Based on its findings, this study suggests as follows;

1. SWOT Analysis is inevitable for any organization in the contemporary human society. Government in Nigeria should spear-head the conduct of seminars for business organizations to learn enough about effective business techniques.

2. Against the background of the contribution of the private sector to economic development, the government should make seminars on SWOT analysis compulsory for any organization to gain its recognition and support.
3. The certification of an organization should constitute a major requirement for registration of private business (small or large).
4. The federal and state governments should assist business organizations through effective policies to address issues bothering on facilities, financial resources, management capabilities marketing skills and brand image.
5. Political complications in the environment are issues of the external environment which should receive the attention of the respective governments in Nigeria.

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