Risk Management And Operational Efficiency Among Small Scale Entrepreneurs: Implication For Entrepreneurship And Risk Management Counselling

Isaiah Iornenge Shamo (PhD)
Department of Guidance and Counselling
Faculty of Education
University of Abuja, Abuja-Nigeria
07034263702

Abstract

This is a descriptive survey study with interdisciplinary approach that involved a target population comprising small scale entrepreneurs in Abuja Municipality within the Federal Capital Territory, Abuja, Nigeria. A purposive sampling size of one hundred and fifty (150) participants comprising 87 males and 63 females participated in the study. Three research questions and one hypothesis guided the study. A close ended self-constructed instrument–the questionnaire was used for data collection. Data generated was analysed using mean scores and standard deviation to answer research questions whereas analysis of variance (ANOVA) was used to test the hypothesis formulated. Findings revealed that they were catalogues of risks associated with small scale entrepreneurs such as bad debts and rising cost of production among others. Risk management strategies adopted involved cutting down production output and alternative power supply. Years of experience was found to significantly influence risk management strategies. The study recommended counselling intervention to include entrepreneurship counselling in counsellor education programmes to mitigate the scourge of graduate youth unemployment.

Introduction

The role of small and medium enterprises (SMEs) in alleviating poverty, creating employment and generating wealth in the informal sector cannot be overemphasized. Small and medium scale enterprises contribute significantly to the socio-economic growth and development of many countries. According to Aigbo and Osomaje (2013), the roles of SMEs is reflected in their capacity to create employment, alleviate poverty, equitable distribution of income and resources, enhance innovations, develop entrepreneurial skills, encourage urbanization and improve the living standard of the people. The immense contribution of SMEs to the economy and their potential to create jobs for self-reliance, their impact on the private sector towards sustainable economic development appears to be relatively low.

In Nigeria, most SMEs do not survive in their first five years of establishment. Specifically 80% to 85% of them fold up before their fifth anniversary while another 10% to 15% crumble before ten years of operation (Eniola & Entebang 2015, Agwu & Emeta, 2014). The factors militating against the survival and operational efficiency of SMEs seems to be rooted in the various risk factors hindering most SMEs in their growth and performing their various functions. This challenge is further aggravated by the poor approach of SMEs to the implementation of enterprise risk management (ERM).

ERM developed to address the perceived inadequacies of the Traditional Risk Management (TRM). Before the advent of ERM, risk management was practiced in an isolated manner such that risks were not handled centrally in an organization. More important is the fact that not all types of risks are considered in the framework of TRM. Rezil and Taher (2011) argued that ERM is a systematic descriptive and integrated method directed at managing organizational risks in order to maximize value for investment. The principle of ERM supports a holistic approach where strategic financial hazard, operational and other organizational risks are combined and addressed simultaneously and holistically. Furthermore, it helps to identify potential events capable of affecting the enterprise and managing them to ensure that they fall within the organizational risk framework.

An organization with operational efficiency is one with the capacity to continue to acquire inputs from suppliers and utilise it to generate output required by consumers (Shepherd, 1993). Operational efficiency implies performance, growth or productivity within the first five years of operation. The moment a firm can no longer take delivery of inputs due to its inability to pay for previous supplies, the operational efficiency of such a business is in doubt.

No government even in the developed countries of the world can completely eradicate unemployment due to unlimited resources. This situation therefore requires that citizens acquire and develop requisite skills for self-reliance. In developing countries like Nigeria, there is therefore a dire need to acquire self-sustaining growth which can only be possible through functional education and relevant skills. It is not an overstatement to say that majority of Nigerian graduates are not sufficiently employable. In other words, most products of our education system are merely graduates who showcased flamboyant credentials with little or no functional education.

Entrepreneurship education should be a component of counsellors education—a type of training given to students to acquire the skills and competencies required for self-employment. Entrepreneurship means the willingness and ability of an individual to acquire educational skills to explore and exploit investment opportunities, establish and manage a business enterprise. It is an acquisition of skills and ideas for the purpose of creating employment for oneself and also for others. It is a process of creating wealth for the purpose of personal growth and development.

Some of the characteristics of entrepreneurship include ability to take a risk, innovations, curiosity, vision, leadership quality, perseverance, hard work, self-confidence and flexibility. Oguntimehin and Nwosu (2014) argued that any society that deserves sustainable development cannot thrive without entrepreneurship because it creates new technologies, products and services, encourages improvement in productivity and rapid economic growth.

According to Ezeribe (2022), one of the roles of guidance and counselling in ensuring effective entrepreneurship education for the mitigation of graduate unemployment to foster self-reliance is providing group guidance and counselling services to students, making them understand that compulsory entrepreneurship education introduced in their different discipline is designed to equip them for the world of work after graduation. It is also the counsellor's role to build capacities to make sure that undergraduates imbibe intrinsic attitudes about the importance of entrepreneurship education thereby boosting their confidence through effective counselling intervention.

The main thrust of this study is to examine risk management and operational efficiency among small scale entrepreneurs and the implications for entrepreneurship and risk management counselling.

Purpose of the Study

This study sought to achieve the following objectives:

i. to examine risks associated with doing business among small scale enterprises;

ii. to determine risk management strategies adopted by small scale entrepreneurs; and

iii. to examine the influence of years of experience on risk management among small scale entrepreneurs.

Methodology

The population for the study consisted of all small-scale enterprises operating within Abuja Municipality in the Federal Capital Territory, Abuja, Nigeria. Purposive sampling procedure was used to select a sample size of one hundred and fifty (150) respondents comprising 87 males and 63 females who were entrepreneurs operating service oriented or commodity based businesses. A close ended self-constructed instrument, the questionnaire was developed by the researcher. The questionnaire listed Risk Management Questionnaire (RMQ) was segmented into three sections. Sections A, B and C. Section A sought demographic data on gender, years of experience in doing business and type of business. Section B solicited information on risks associated with doing business while section C sought responses on risk management strategies by small scale entrepreneurs. The questionnaire items were developed using four response options--Strongly Agreed (SA), Agreed (A), Disagreed (SD) and Disagreed (D) with statistical values assigned in descending order of magnitudes such as 4, 3, 2 and 1 respectively. Apilot test involving thirty six (36) copies of the questionnaire were administered in Zuba, a satellite town in Gwagwalada Area Council through test-retest method to determine the reliability of the instrument. These respondents were not participants in the main study. Pearson Product Moment Correlation Coefficient (PPMCC) was used to analyse the data. The result produced a reliability index of 0.87 which was considered sufficiently reliable for the study.

Data generated was analysed using simple percentages, mean score and standard deviation for demographic data and research questions.

Results

Research question one: What are the risks associated with doing business among small scale entrepreneurs?

Table1: Risksassociatedwithdoingbusinessamongsmallscaleenterprises N=150

S/N	Items	Mean	Std Dev	Decision
1	Lowpatronage	3.47	.783	Agreed
2	Constantbreakingdownofequipment	2.37	.781	Agreed
3	Inexperiencedworkers	2.85	.775	Agreed
4	Fraudulentcustomers	2.75	.734	Agreed
5	Lackofenoughhands	3.01	.613	Agreed
6	Hazards(insecurity,fireoutbreak,flooding,badroadsanddraughts)	2.70	.932	Agreed
7	Badweather	3.14	.624	Agreed
8	Risingcostofproduction	3.09	.595	Agreed
9	Baddebts	3.02	.573	Agreed
10	Lowcapital	3.35	.518	Agreed
11.	Familyresponsibilities	3.01	.512	Agreed
12.	Illhealth	2.36	.780	Agreed
13.	Rivalry(competition)	2.95	.659	Disagreed
14.	Mismanagement	2.81	.711	Agreed
15.	Irregularpowersupply	2.80	.941	Agreed
	SectionalMean	**2.91**	**0.70**	

Table 1 showed the risks associated with doing business among small scale entrepreneurs. The table showed that respondents agreed in all the items presented. The sectional mean score of respondents for risks associated with doing business among small scale entrepreneur was 2.91, with a standard deviation of 0.70. This implies that the respondents agreed that there were risks associated with doing business among small scale entrepreneurs.

Research question two: What are the risk management strategies adopted by small scale entrepreneurs?

Table2: riskmanagementstrategiesadoptedbysmallscaleentrepreneurs

N=150

S/N	Items	Mean	Std Dev	Decision
16	Slashpricestoattractcustomers	2.61	.818	Agreed
17	Switchovertoanotherbusinesswithlowerrisks	2.67	.823	Agreed
18	Sackinexperiencedworkers	2.87	.502	Agreed
19	Takeaninsurancepolicy	2.75	.734	Agreed
20	Delayproductiontillproductioncostdrops	3.01	.613	Agreed
21	Stopsellingoncredit	2.70	.932	Agreed
22	Getastandbygenerator	3.14	.624	Agreed
23	Increasepricesforgoodsandservicestomeetrisingcost	3.09	.595	Agreed
24	Cutdownproductionoutput	3.02	.573	Agreed
25	Lowerthequalityofproducts and services	3.35	.518	Agreed
	SectionalMean	**2.92**	**0.67**	

Table 2 showed the risk management strategies adopted by small scale entrepreneurs in FCT. The table showed that respondents agreed in all items presented. The sectional mean score of respondents for risk management strategies was 2.92, with a standard deviation of 0.67. This implies that the respondents agreed that there were risk management strategies adopted by small scale entrepreneurs.

H0~1~: There is no significant difference in risk management strategies adopted by small scale entrepreneurs on the basis of years of experience in business.

Table3:One-wayANOVAforthedifferenceinriskmanagementstrategiesadoptedbysmallscaleentrepreneursonthebasisofyearsofexperienceinbusiness.

AgeRange	Sumof Squares	Df	Mean Square	F	Sig.	Decision
Between Groups	6.204	3	.074	15.912	.000	Significant
Within Groups	18.975	146	.049			
Total	25.179	149				

The analysis in Table 3 was carried out to test the difference in risk management strategies adopted by small scale entrepreneurs on the basis of years of experience in business. With the significant values of 0.000 (less than the 0.05 level of significance), the hypothesis that says there is no significant difference in risk management strategies adopted by small scale entrepreneurs on the basis of years of experience in business is, therefore, rejected and concluded that there was significant difference in risk management on the basis of years of experience.

Discussion of Findings

Findings revealed that there were obvious risks associated with doing business. The 15-item inventory received overwhelming affirmation of the economic reality as virtually all respondents agreed with all the risks presented in the questionnaire. Findings also revealed that years of experience in business significantly influenced risk management practices. These findings are corroborated by Olman (2017) who found that years of experience significantly influence risk management by transforming it from a poorly analytical reactive function into a proactive intuitive and strategic component of decision making.

According to her, experienced professionals are better equipped to identify, assess and mitigate risks often utilizing past crises to inform strategies. Key influences of experience in risk management are improved risk identification and assessment, proactive rather than reactive action, enhanced decision making and envisaged uncertainty.

In summary therefore, more years of experience leads to more refined proactive and strategic risk management that can enhance operational efficiency.

Implications for Counselling

Risk management in counselling unemployed youths is a critical and proactive process that goes beyond traditional career guidance to address the psychological social and behavioural vulnerabilities associated with joblessness. It serves as a protective mechanism aimed at preventing the escalation of unemployment into deeper, more dangerous health crises. Key implications of risk management in the context of counselling according to Huong (2019) who outlined counselling implications for risk management to include among others:

a. **Preventing destructive coping behaviours:** Unemployed youths are vulnerable to substance abuse and anti-social behaviours. Risk management helps identify those tendencies early and introduce healthier coping strategies.

b. **Addressing suicide and self-harm:** Due to depression and helplessness associated with long term unemployment, counsellors can actively help screen for suicidal indications and self-harm which are high among the populace.

c. **Reducing mental health strain:** Risk management helps address severe anxiety and depression that often stem from financial and social exclusion.

d. **Development of crisis plans:** Counsellors must work with youths to develop safety plans which may involve identifying trusted support figures, timely risk exposure and accessing crises services.

e. **Monitoring at risk markers:** Counsellors must monitor markers such as prolonged job search, failure, long-term job loss, lack of skill, social isolation and low self-esteem to prevent further decline.

f. **Ethical and legal protections:** Proper risk management helps practitioners avoid maladaptive liabilities and ethical breaches by maintaining clear updated records of assessment and interventions.

g. **Fostering resilience:** Risk management aims to build resilience allowing youths to develop psychological, social and cognitive strengths enhancing employability skills: by managing the risk of apathy and self-esteem, counsellors can better engage youths in training and skill building activities among others.

In summary, risk management in counselling unemployed youths transforms the counsellor's role into one of active protection and empowerment addressing the immediate and long term dangers posed by economic disengagement.

Recommendations

Counsellors should design entrepreneurship counselling initiatives at all levels of education to equip students with requisite skills and innovations to adequately meet global market demands which also serves as a buffer against unemployment.

Counselling intervention should also provide proactive intervention especially in non-school settings to address possible mental health disorders as well as unethical behavioural tendencies associated with long term joblessness or job loss.

Counsellors should harness their wealth of experience in entrepreneurship counselling to design preventive and palliative intervention in psychological risk management emanating from unemployment crisis.

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