



ASSESSMENT OF SUITABLE RISK MANAGEMENT PRACTICES ADOPTED BY OWNERS OF SME IN ANAMBRA STATE FOR INSTITUTIONAL COLLABORATIONS FOR BUSINESS SUCCESS IN E- WORLD

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Abstract

The study ascertained the extent owners of Small and Medium Enterprises adopt suitable risk management practices for institutional collaborations for business success in Anambra state. Descriptive survey design was adopted for the study. The population comprised 2502 owners of SMEs registered with Anambra State Ministry of Commerce, Industry and Technology. A sample of 750 owners was drawn through stratified random sampling technique. One research question guided the study and one null hypothesis was tested at 0.05 level of significance. A validated structured questionnaire with reliability coefficient of 0.76 was used to collect data for the study. Mean and standard deviation were used to answer the research questions while ANOVA was used to test the null hypothesis. Findings of the study revealed that the adoption of suitable risk management practices for business success was low among owners of SMEs in Anambra state. The findings further revealed that years of experience of the SME owners did not significantly affect their mean ratings on the extent they adopt suitable risk management practices in their businesses. It was concluded that there was need for collaborations between the Association of Owners of SME and higher educational institutions through training for acquisition of skills on the identified risk management practices that were not suitably adopted by owners of SME in their businesses for success. It was recommended among others that governments at all levels should make training on risk management practices in the electronic world compulsory among owners of SMEs through workshops, seminars and conferences; and as a requisite for provision and approval of loans to SMEs. This is to ensure effective use of resources provided for success of their businesses.

Keywords: *Owners of SMEs, adopt, suitable risk management practices, business success and institutional collaborations*

Introduction

Globalization and economic liberation have increased in recent years, bringing about increase in industrialization and highly competitive business environment. Similarly, on-line information and practices in today's world has increased the risks in business which is aggravated by outburst of technologies. Inability of owners of business to manage these situations therefore spells doom for enterprises. Small and Medium Enterprises (SMEs) have been billed as the building blocks of any economy as they play major roles in employment generation, rural development, youth empowerment, with major contribution to national income and growth. Nigeria is no exception to these roles and Anambra state in particular especially in employment and income generation. Inability



of owners of these enterprises to manage them for success invariably affects the living standard of majority of the populace.

Oguntolu (2008) defined SME as a business set up by operator for the main purpose of providing goods and services. These operators are known as entrepreneurs or owners, people who have the ability to see and evaluate business opportunities, put together the necessary resources to take advantage of them and to initiate appropriate actions to ensure success. They are mostly known to be resourceful, hardworking and possess the ability to utilize business opportunities available to them (Nelson and Neck, 2006). SME owners engage in different types of business activities ranging from construction, agro-allied, information technology, manufacturing to management of educational establishment. Many of these enterprises abound in Nigeria and Anambra state in particular due to favorable economic condition which includes natural resources, large markets and abundant skilled labor force (Obi, 2011).

Unfortunately these enterprises are challenged with slow expansion rate, reduction in business sizes and business close down (Okoli & Ezenwafor, 2015). These problems could be associated with misapplication of management practices in getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Adoption of suitable management practices among SMEs entails efforts, ideals, ways or strategies taken by owners of SMEs in effective utilization of resources towards achieving organizational objectives, such as in management of risks necessary for improving business performance in the present digital era.

Risk is the possibility of damage or any other negative occurrence that is caused by external or internal vulnerabilities; which may be avoided through preemptive action. Risk is commonly associated with uncertainty, as the event may or may not happen. It is an essential part of business, because enterprises cannot function without taking risk as business grows through risk taking. Thus, risk is related with opportunities and threats, which may harmfully affect an action or expected outcome. The World Health Organization, WHO (2018) noted risk management as the process of weighing policy alternatives to accept, minimize assessed risks for the selection and implementation of appropriate options.

Digital era simply called the *electronics world depicts* range of electronics and scientific devices that include technology, systems, components, design, development tools, software, networking, communications tools and instrumentation applied in different spheres of human endeavour. In this study, this encompasses a range of electronic devices and scientific applications in risk management of small businesses. Risk management in the present era is beyond mere arithmetic but application of these scientific processes and devices to identifying risk, assessing risk, and taking steps to reduce risk to an acceptable level. The components of risk management could be summarized as (1) Preliminary risk management activities that comprise the initial process such as the establishment of a risk profile to facilitate consideration of issues within a particular context, and provision of information as much as possible to guide further action. This results to a risk assessment guideline to inform decision making. (2) Evaluation of risk management activities for weighing available options for effective management of risks and other factors. This is to take decision on appropriate use of available sources for optimization of business performances. A cost-benefit analysis could be performed at this stage. Others are implementation of the risk management decision,



monitoring and review by gathering and analyzing data during business activities as a control measure to determine extent to which the set objectives were achieved.

Heldman, (2005) averred that businesses in risk management need to engage in the process of identifying and documenting risks, analysis and prioritizing risks, performing risk audits and review. For SMEs to succeed they must identify key risks, obtain consistent, understandable, mitigating measures by choosing which risk to avoid and reduce threats to an acceptable level while maximizing opportunities. An ideal risk management program assists an enterprise to steer clear of potential risks before they occur throughout the life of a project. Reuvid (2007) also suggested risk management designs in business to include risk identification and assessment, risk mitigation strategies, residual risk transfer, risk reporting, and monitoring. An effective risk management structure allows an organization to understand the risk in any initiative and take informed decisions on whether, and how the risk should be managed. According to Mahmud and Ahmed (2014), risk management practices significantly influence financial performance.

A successful business is associated with effectiveness, efficiency and sustainability. Ernst and Young in Shimell (2002) noted effective risk management process as a critical attribute of a successful business. The better the process, the more certainty there is of prosperity and potential long-term competitive advantage. Experience of an entrepreneur has been identified as one of the factors to be associated with adoption of suitable risk management practices and business failures. Many owners of SME may lack the needed experience and such could lead to poor business performance (Okafor, 2003). Onias, Manyani, Chairiseri, Chari and Nyakurimwa (2014) also posited that some owners of SME do not adequately adopt risk management frames in their business operations. For Nigerian economy to accelerate and to reap the benefits of SMEs there is a great need to develop the skills of the SME owners for a reform, through institutional collaborations that support training for acquisition of necessary risk management skills for business success. This takes place by means of close cooperation between high education institutions and Association of Owners of SMEs in different states, in developing a framework for effective collaboration for mainstreaming and expanding access to skill training at the institutes. Such actions will significantly improve the capability of owners of SMEs in adopting suitable risk management practices in their business for effective performance in the electronic world. For this reason, serious working collaboration between the two players must be initiated.

However, this collaborative initiative cannot be embarked on without first making a need assessment of the actual situation through empirical proves as the case of suitable risk management practices adopted among owners of SMEs in Anambra state. This is imperative judging from the strategic position of Anambra state as a mercantile state in Nigeria. This study therefore specifically determined the extent to which owners of SMEs in Anambra State adopt suitable risk management practices for business success in the e- world, for institutional collaborations where they are not suitably adopted

Research Question

To what extent do owners of SMEs in Anambra State adopt suitable risk management practices for business success?

Null hypothesis

The following null hypotheses was tested at 0.05 level of significance.

There is no significant difference in the mean ratings of owners of SMEs in Anambra state on the extent they adopt suitable risk management practices for their business based on years of experience (Below 5 years, 5- 10years, Above 10 years).

Method

The study adopted descriptive survey design. A total of 2502 owners of SMEs registered with the state Ministry of Commerce, Industry and Technology. A sample of 750 owners was selected using stratified random sampling. A structured questionnaire titled “Questionnaire on Risk Management Practices for Business Success” (QRMPBS) was used for collection of data. Data were collected with the help of two research assistants who were briefed on the purpose of the study. Out of 750 copies of questionnaire distributed, 602 were collected and all were found usable.

The questionnaire items were structured on a 5-point rating scale, with response categories and weighted as follows. Very High Extent VHE (4.50-5.00), High Extent-HE (3.50-4.49), Moderate Extent ME (2.50- 3.49), Low Extent LE (1.50-2.49), and Very Low Extent-VLE (0.50-1.49). In taking decision, items with mean ratings 4.50-5.00 were regarded as adopted by SMEs at a very high extent, 3.50-4.49 were regarded as adopted by SMEs owners at a high extent, 2.50-2.49 as adopted at a moderate extent. Furthermore, items with mean ratings of 1.50-2.49 were regarded as adopted to low extent while items with mean ratings of 0.50-1.49 were regarded as adopted at a low extent. A null hypothesis was rejected where calculated *f*- value is less than the critical value of *f*, and not rejected where the calculated *f* value is equal or greater than the critical value.

Results

Research Question

To what extent do owners of SMEs in Anambra State adopt suitable risk management practices for business success?

Table 1: Respondents' mean ratings on the extent they adopt suitable risk management practices for business success in Anambra State.

S/N	Items on Risk Management Practices	X	SD	Remark
1.	Developing risk registers	1.75	0.68	Low Extent
2.	Identifying a set of criteria against which the Identified risks can be evaluated	1.88	0.87	Low Extent
3.	Defining a set of key elements for structuring the risk identification and assessment process	1.78	0.69	Low Extent
4.	Identifying of risk events	1.83	0.96	Low Extent
5.	Conducting risk events	2.36	0.96	Low Extent
6.	Identifying risk treatment options	2.36	1.02	Low Extent
7.	Selecting risk treatment option	1.97	0.93	Low Extent
8.	Implementing risk treatment option	1.88	0.87	Low Extent
9.	Regular reviewing of identified risks	1.84	0.94	Low Extent
Cluster Mean			1.95	Low Extent

Data contained in Table 1 shows that all the items rated are adopted by the business owners at a low extent. This was confirmed by the cluster mean of 1.95. The closeness of the standard deviation scores indicates homogeneity in the respondents' opinion.

Null hypothesis

The following null hypotheses was tested at 0.05 level of significance.

There is no significant difference in the mean ratings of owners of SMEs in Anambra state on the extent they adopt suitable risk management practices for their business based on years of experience (Below 5 years, 5- 10years, Above 10 years).

Table 2: ANOVA analysis of the respondents mean ratings on the extent they adopt suitable risk management practices for their business success based on years of experience

Source of Variance	Sum of Squares	df	Mean Square	F-cal	F-Crit	Remark
Between groups	1204.93	2	602.47			
Within groups	16408.4	12	1367.37	0.44	3.89	Not Significant
Total	17613.33	14	1969.84			

Data in Table 3 indicate that the calculated f-value of 0.47 is less than the f- critical value of 3.89. This means that there is no significant difference in the mean ratings of owners of SMEs in Anambra State on the extent they adopt suitable risk management practices for their business success based on years of experience. Therefore, the hypothesis is not rejected.

Discussion of Findings

The finding of the study revealed that owners of SMEs adopted risk management practices to a low extent in all the items rated. In the purpose of this study, the findings therefore discovered the need for institutional collaborations between higher educational institutions and Association of Owners of SME in Anambra state for adoption of suitable risk management practices in the following areas; developing risk registers, identifying a set of criteria against which the identified risks can be evaluated, defining a set of key elements for structuring the risk identification and assessment process and identifying risk events. Others are, conducting risk events, Identifying risk treatment options, selecting risk treatment option, implementing risk treatment option and regular reviewing of identified risks. This is in line with Onias, Manyani, Chairiseri, Chari and Nyakurimwa (2014) who posited that some owners of SMEs do not adequately adopt risk management frames in their business operations. In support, Yusuf and Dansu (2013) recommended that entrepreneurs should consider risk management as an integral part of business management and suggest that registrars should insist on minimum corporate governance standards for SMEs so as to enable them perform well. According to Mahmud and Ahmed (2014), risk management practices significantly influence financial performance.

It was further revealed that significant difference did not exist in the mean ratings of owners of small and medium scale enterprises in Anambra State on the extent they adopt risk management practices for their business success based on years of experience. This is in agreement with Okolo (2014) who revealed that experienced and inexperienced small and medium scale entrepreneurs equally did not differ on the extent they adopted risk management practices in their businesses.



The findings of the study therefore have far reaching implications for the government and owners of SMEs to embark on private public partnership through institutional collaborations for provision of training to entrepreneurs, for acquisition of knowledge and skills required for suitable adoption of risk management practices in their businesses. To curriculum planners in business education, entrepreneurship studies and other business programmes in tertiary institutions to develop effective curriculum that will provide entrepreneurs with the relevant learning experiences. This also applies to potential entrepreneurs in institutions that would start up small and medium scale businesses after graduation, to adopt efficient risk management practices for business success in the modern digital/electronic world.

Conclusion

Based on the findings of the study, it was concluded that owners of small and medium scale enterprises in Anambra state do not adopt suitable risk management practices in their business. Thus, there is need for collaborations between higher educational institutions and Association of Owners of SMEs in Anambra State in the area of training of their members, for acquisition of skills in suitable risk management practices and its adoption in their businesses for success. This could be a major contributing factor to their minimal business success and incessant fold ups.

Recommendations

From the findings of the study, it was recommended that:

Association of Owners of small and medium scale enterprises in Anambra state should embark on collaborations with higher educational institutions for acquisition of training on risk management skills for effective adoption of the risk management practices in their enterprises for business success in the modern electronic world.

Governments at all levels should make trainings through workshops, seminars and conferences on risk management practices in the electronic world among owners of SMEs compulsory and as a requisite for provision and approval of loans to SMEs. This is to ensure effective use of resources provided for success of their businesses.

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