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Challenges In Managing Entrepreneurial Small Firm's Growth And Transition In Nigeria

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Abstract
Growth can be simply referred to as advancement from less complicated level to more complex level, very essential in business and its one of the major objectives of entrepreneurship. It is the movement of the business into bigger premises, taking on more staff, significant increases of turnover, taking on a new product line or lines, buying another business, and so on. This paper critically assess the new venture creation; what it takes to be an entrepreneur; different dimension of business growth; significance of growth; types of opportunities new venture can consider; barriers to firm growth; managing transition and sustaining growth among others. The paper examines the skills and traits required by an entrepreneur to survive in a recession period. Most importantly, the paper highlights framework conditions required for effective operations of small business and acknowledges a case of Dangote Group of Company, in Nigeria to discuss evolution of growth, transition management and growth sustenance. In this review, it is clearly shown that entrepreneurship growth is not limited to small firm alone, it is also common among larger firm. Evolution of company takes many efforts and shortcomings, and the survival of any firm is also part of growth.
Keywords: Growth theory; Growth barriers; Small business; Transition management, Dangote group of company.

1. Introduction

Many scholars have established a symbiotic relationship among entrepreneur, growth and transition; conversely, they develop and refine tools for firm's establishment and as the size of firm expands, problems and opportunities become more numerous and complex. Philosophically, Solow (1956) state that business growth and development require that an entrepreneur should not be afraid to make decisions and must have volition to assume certain risks, work under pressures and conditions of risk-taking and should understand that the possibility of failure is always present. Logically, Mitra (2012) states that 'the ability of the new firm to grow was dependent on the time it took to expand the organization together with the knowledge base and the difficulties associated with developing a market'. Some entrepreneurs may be called "practical" because their organizations grow only to the extent that they can personally control and direct the various aspects of their operations.

While more recently there has been a further shift back towards support for the start-up process, it is reasonable to ask why the interest in growth developed, the barriers being faced by small firms and the transition process. it was suggested by Bridge, O'Neill & Cromie, (2003) that it was a relatively small proportion of small business starts that did subsequently show significant growth and were responsible for much of the main employment benefit over time.

There is also a realisation that new businesses have high casualty rates. Many of those that do start do not survive, and so do not contribute anything lasting to the economy; therefore, any effort applied to helping them is wasted. Overall, small businesses can be divided into three broad groupings. First, there is a high proportion of small businesses that have a short life. Then there is a second large group of businesses that, although surviving, remain small. The third group is by far the smallest; it consists of those businesses that achieve rapid growth. Those groups have been referred to by Storey (1994) respectively as 'failures', 'trundlers'' and 'fliers' and by Birch (1987) as 'failures', mice' and 'gazelles'. It is logical to consider the possible dimensions, or meanings of growth in the context of small businesses. Growth in a business can be explained as greater turnover or increased profitability but, while these measures may all be seen as desirable, they may not even be positively correlated. Growth or its absence can however be attributable to a wide variety of factors. There is no comprehensive theory to explain which firms will grow or how they grow, but various explanatory approaches have been used.

The most basic proposition of growth theory is that in order to sustain a positive growth rate of output per capita in the long run, there must be continual advances in technological knowledge in the form of new goods, new markets, or new processes. This proposition can be demonstrated using the neoclassical growth model developed by Solow (1956), which shows that if there were no technological progress, then the effects of diminishing returns would eventually cause economic growth to cease.

Solow (1956), explains economic growth as accumulation of factors of production and by “exogenous” technological change. Baumol, (1993), and Cortright (2001) describe new growth theory as “endogenous” growth, because it internalizes technology into a model of how markets function. New growth theory holds that unlike physical objects, knowledge and technology are characterized by increasing returns, and these increasing returns drive the process of growth. By virtue of analysis, both exogenous and endogenous theories focus on firms’ growth but only the approach is different, but entrepreneurial mentality of the business owners is the most important factor.

It is reasonable to deduce that the entrepreneur's (or business leader's) ambition and desire to grow are critical. In addition, the skills of the entrepreneur are particularly important in the early stages of growth. The ability to broaden and adapt to changing circumstances is likely to be of major importance in removing obstacles to growth. In this review, Dangote group of company, Nigeria growth and transition process was discussed to explain the growth framework.

2. Small Firms Growth Framework

Storey (1994), and Mitra (2002) identify four structures of Small firm;

1. The entrepreneur
2. The Environment
3. The Firm
4. Strategy

Apparently, these structures determine the small firm’s growth according to the two scholars. It is conceived that entrepreneur is an actor in the framework circle, who perceives and exploits opportunity in the economic environment and use it profitably (Storey, 1994 and Mitra, 2002). On this note, entrepreneur should acquire enough knowledge in managing his ventures. While education and training are very important, he should get acquainted with modern technologies to ‘combat’ environmental challenges as the business grows. Accordingly, Porter (1996) suggests that “a firm can outperform rivals only if it can establish a difference that it can preserve.”

Environment is characterized with so many factors, such as culture, technology, competition, government rules and regulations (legal and political), social economic factor among others, while an economy demands rapid growth of small firms for employment creation, therefore, it must be conducive for business operation. Kuratko and Hodgetts, (2009) state that “the survival and growth of a new venture requires that the entrepreneur possess both strategic and tactical skills and abilities and which strategy to choose depends on the current development”. Reasonably, and in affiliation with all submissions by scholars, entrepreneur should flexibly develop a strategy that will accommodate eventuality for the smooth operation of his firm.

More so, Bridge, et al. (2003) identifies the following forms of growth;

- Growth
- Expansion
- Gazelles
- New product/service development
- New markets for existing products
- Diversification of products/services through new market entry
- Networking and networks
- Clusters of firms

For clarity, some of these forms of growth are discussed in the history of Dangote group of company.

Table 1: Factors Influencing Growth in Small Firms

Entrepreneur/Resources	The firm	Strategy
Motivation	Age	Workforce training
Unemployment	Sector	Management training
Education	Legal form	External equity
Management experience	Location	Technology, Market positioning
Number of founders	Size	Market adjustments
Prior self-employment	Ownership	Planning, New products
Family history		Management recruitment
Social Marginality		State support
Functional skills		Customer concentration
Training		Competition
Age		Information & advice
Prior business failure		
Prior Sector experience		
Prior firm size experience		
Gender		

Source: Storey, D. J. (1994), Understanding the Small Business Sector, London: Routledge

This table shows those conditions that are necessary for the survival of small businesses. Storey, (1994) underscores the relationship of entrepreneur, the firm and strategy and their relevance to growth.

3. Growth, Barriers and Transition

Churchill and Lewis (1983), state that "small businesses vary widely in size and capacity for growth. They are characterized by independence of action, differing organizational structures, and varied management styles". Wiklund and Shepherd, (2003), however opine that growth is influenced by the entrepreneur's personality and/or behavior. Meanwhile, Mitra (2012) suggests that "transition process and its impact depends upon different types and forms of growth and whether transition is working or not depends on ability to measure changes brought about by growth. In reality, and as argued above, firm develops through a demanding and stimulating situation and as firm grows, there are lots of challenges that warrant modification of management and organization structures. In support of this observation, Kuratko and Hodgetts (2009) posit that managing growth can be a formidable challenge in the successful development of any venture.

In line with the above views, Churchill and Lewis (1983) developed five stages of firm growth;
Stage 1: Existence.
Focus on working capital, customers and markets.
Stage 2: Survival
Firm demonstrates workable business entity, smooth running of firm operations, and maintenance of market shares.
Stage 3: Success:
Stability and profitability, decision to expand the structure or maintain the status quo.
Stage 4: Take-off: Focus on managerial responsibility, financial implications, delegation and empowerment,
Stage 5: Resource Maturity: Rapid growth, consolidation and control profits, retention of entrepreneurial spirit, expansion of management force.

Many small firms that are able to exist prefer to remain at the survival stage, only few entrepreneurs move beyond this level (Mitra 2012). Most entrepreneurs at survival stage feel comfortable at this level as they don't want to take bigger risk, just to take care of their family, retain the control and sustainability of their business. The few that wish to grow (Cortright, 2001; Mitra, 2012) face either internal or external constraints like government regulations, finance, economic factors and many others. Ownership, needs for achievement; maturity, skill; attitude and foresight also have significant effect on firm growth (Churchill and Lewis, 1983). In their own views, Bridge, et al, (2003) suggest that management must plan for growth, and make decisions about

the following;
* Market positioning
* New products and
*Management recruitment.

However, for a firm to grow, the management, especially in a limited company, must consider its firm shares of market (market segmentation), competitions, innovation, and reorganization of the work force. In his own assessment, Greiner, (1998) remarks that inability of management to understand its organization development problems can result in a company becoming "frozen" in its present stage of evolution or, ultimately, in failure, regardless of market opportunities. There are clear evidences that scholars identify significant role of management in transition period and in the time of revolution, which Greiner describe as those periods of substantial turmoil in organization life, restructuring and adaptation are very much required. Bridge, (2003) proposes that "managing during times of unprecedented change is one of the most difficult tasks a leader faces, In adapting to new realities, people need a guide to change a course through chaos".

The above stages of firm growth are easy to develop but for entrepreneur to scale through involves lots of challenging tasks, as because many barriers create bottleneck. As clearly shown in a new research paper published by NESTA (2009), the study provides evidence on the obstacles that high-growth potential businesses face. Among them are; (a) the economy, (b) recruiting staff (c) cash flow (d) regulations (e) competition in the market (f) taxations, VAT, PAYE (g) shortage of skills generally (h) obtaining finance (i) shortage of managerial skill/expertise (j) availability/cost of suitable premises. It is noted in the analysis that the state of the economy is the main obstacle facing small firms, but high-growth firms are better at overcoming it.

4. Dangote Group of Company Growth and transition process

The Dangote Group is one of the most diversified business conglomerates in Africa with a hard-earned reputation for excellent business practices and products' quality with its operational headquarters in the bustling metropolis of Lagos, Nigeria in West Africa. The industry started as one man business, and based on the foresight and determination of the founder, he was able to manage change that occurs at every stage of his company growth. The leadership changed from sole trader to partnership to incorporation at specific level of evolution. It has rapid growth based on the owner (entrepreneur) attitude, and there was elaboration of competent management team (professional staff), good leadership, delegation and empowerment. Diversification took place from trading to manufacturing.

The management took opportunity of privatization policy introduced by Nigeria government by going into 'merger and acquisition' with both private and public sectors, and as a result of this, the companies achieve tangible success. According to the report from the organization website, Dangote has met several challenges but with courage and determination, focus and strong will, the industry is today a testimony of successful and rewarding private entrepreneurship in West Africa. The company exploits opportunities by introducing new products into some region and also establishing its company's branches in order to get closer to customers. This effort attracts many other small businesses and start-ups which result to clusters of firm.

The success and managerial aspects of the industry was not the sole responsibility of the owner but general handiwork of the entire staff. In managing transitions which involves lots of barriers, it was shown in the history of the Industry that the management embarked upon reorganization, restructuring, rationalization and re-engineering. Staff loyalty and cooperation are encouraged. As the industry climbs the ladder of success, Research and Development becomes necessary. It organizes periodic training, seminar and workshops for employees and management team to improve their knowledge and to be able to meet up with current technological advancement. Spin off is difficult as majority of staff feel comfortable and belonging. Knowledge spill over is effective through mobility of labor within the industry, networking, mutual relationship and clusters of firms. More so, articulation of sectors with each other and level of trust in a tie facilitate its growth. In accordance with these development, Powel and Smith-doer (1994), define Network has special importance in the movement of labor, evolution of influence and power, and the actual production of Innovation.

5. Conclusion

Researchers, (Baumol, 1993, Bridge, 2003, Bridge et al 2003, and Mitra, 2011, 2012) have obviously given a clear picture of how managing transition take place in the business environment and it is evident that firms don't always grow by themselves but under many challenges. Starting business does not guarantee growth as moving through the growth ladder entails entrepreneurial romance with internal and external factors.

It is observed that Growth essentially has different forms it takes but whatever form an entrepreneur chooses will definitely pose challenges. Transition may be easier to manage in a favourable economic environment where necessary infrastructures, government policy and regulation among other factors are put in place as discussed in this paper. As stated by Baumol, (1993)," reward structure will be determined by the rules of the game (i.e. government policy, regulations etc)". Admittedly, it shall be concluded that entrepreneurial attitudes in concert with Government economic policy majorly decide future success of business enterprises and transition management.

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