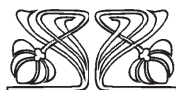
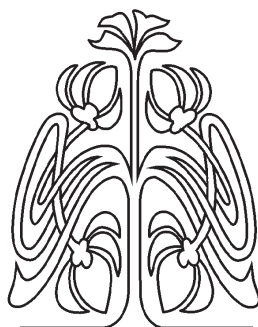
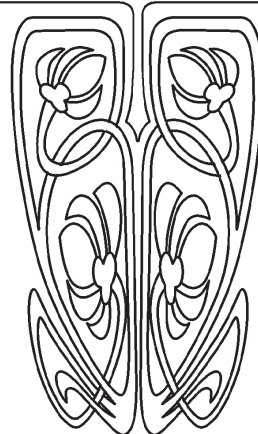




## УПРАВЛЕНИЕ



НАУЧНЫЙ  
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Article

### The influence of Covid-19 on small and medium sized enterprises' managerial activities in Nigeria: A qualitative impact assessment

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**Abstract. Introduction.** The influence of Covid-19 is yet to be measured across many economies of the world, as many countries are still grappling with the effects of different variants of the virus within its economy. However, within Nigeria, life is mostly returning back to normal with all restrictions removed and businesses seeking to get back to pre-pandemic activity levels.

**Theoretical analysis.** Researchers within the business sector in Nigeria have now begun conducting an impact assessment of the pandemic on businesses that were active during the pandemic, in order to understand how these firms' attained resilience, the problems they faced and how the lessons learned can be curated for management consulting. **Methodology.** The paper reflected a qualitative enquiry into the impact of Covid-19 on selected small businesses in the business and financial hub of Nigeria. Using data obtained from ten businesses and five business experts in Lagos, Nigeria, this paper outlined the key themes of how the pandemic impacted the business of small and medium sized enterprises (SMEs) in Nigeria. The study adopted a qualitative, semi-structured interview tool for data collection, convenience sampling and thematic analysis as the approach to data analysis. The data was presented across themes and using figures/tables. **Results.** The paper presented three main themes of impact within these small businesses, namely structural, strategic and financial impacts. These three themes form the main areas where the businesses were affected and the paper explores the themes on a macro and micro level, presenting both the positive and negative impact that the pandemic had on businesses. The results cover small businesses in Nigeria mainly, but the findings can be applied to other contexts within Africa or developing nations with similar political and economic environments such as Nigeria. The study found that financial impact was the most critical and common issue presented by small businesses to have affected their businesses, especially the issues of income loss and HR related costs. Under the structural impact, business closures due to lockdowns were a prominent issue that arose, with the closure impacting firms selling physical products and tourism-focused businesses mostly. Logistical issues were also a critical structural challenge raised, with the impact of reverse logistics being something that negatively impacted a lot of businesses. **Conclusion.** It was mentioned in terms of strategic impacts, the lack of government support in terms of policy was a critical issue highlighted amidst a myriad of learning points that will be crucial for future policy and strategizing for SMEs.

**Keywords:** strategic management, business operations, small and medium-sized enterprises, SMEs, management consulting, Covid-19



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Научная статья  
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**Влияние Covid-19 на управленческую деятельность малых и средних предприятий Нигерии: качественная оценка воздействия**

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**Аннотация. Введение.** Воздействие COVID-19 предстоит измерить во многих странах мира, поскольку большинство из них еще противостоят последствиям различных штаммов вируса для своей экономики. Однако в Нигерии жизнь в основном возвращается в нормальное русло: все ограничения сняты, а предприятия стремятся вернуться к допандемическому уровню активности. **Теоретический анализ.** Исследователи в бизнес-секторе Нигерии начали проводить оценку воздействия пандемии на работу предприятий, которые были активны во время пандемии, чтобы понять, как эти фирмы достигли устойчивости, с какими проблемами они столкнулись и как можно использовать извлеченные уроки с целью дальнейшего управленческого консультирования. **Методология.** Качественно исследовано воздействие Covid-19 на отдельные малые предприятия в деловом и финансовом центре Нигерии. Используя данные, полученные от десяти предприятий и пяти бизнес-экспертов в Лагосе (Нигерия), в исследовании изложены ключевые темы того, как пандемия повлияла на бизнес малых и средних предприятий в Нигерии. В исследовании использовался инструмент качественного слабоструктурированного интервью для сбора данных, удобной выборки и тематического анализа данных. Данные были сгруппированы по трем направлениям с использованием рисунков и таблиц. **Результаты.** В исследовании представлены три основных направления воздействия на малые предприятия, а именно: структурное, стратегическое и финансовое. Эти направления образуют основные области, в которых пострадали предприятия, и в них рассматриваются вопросы на макро- и микроуровне, представляя как положительное, так и отрицательное влияние пандемии на предприятия. Результаты охватывают в основном малый бизнес в Нигерии, но они могут быть применены на территории Африки или в развивающихся странах с аналогичными политическими и экономическими условиями. Исследование показало, что финансовое воздействие было наиболее важной и распространенной проблемой, которая повлияла на бизнес малых предприятий, особенно в плане потери дохода и расходов, связанных с сохранением персонала. В условиях структурного воздействия закрытие предприятий из-за локдауна стало серьезной проблемой, при этом локдаун затронул в основном компании, продающие реальные товары, и предприятия, ориентированные на туризм. Логистические вопросы также стали серьезной структурной проблемой, при этом влияние обратной логистики негативно сказалось на многих предприятиях. **Заключение.** Отмечено, как стратегические последствия, отсутствие поддержки правительства стало критической проблемой, отмеченной среди множества других, которые будут иметь решающее значение для будущей экономической политики и разработки стратегии МСП.

**Ключевые слова:** стратегическое управление, бизнес-операции, малые и средние предприятия, МСП, управленческий консалтинг, Covid-19

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## Introduction

According to the SMEDAN National Survey 2018, there are around 41.5 million SMEs in Nigeria with less than 300 employees and N100 million in annual turnover. In 2019, African startups received about \$2 billion in venture capital investments, a fivefold increase compared to 2015. Even though the number of SMEs in Nigeria exceeds, according to the statistics published by the Small Business Ad-

ministration, about one-fifth of SMEs fail in their first year while about half of all employer establishments succumb to business failure within five years.

Small and medium-sized enterprises (SMEs) are often the most vulnerable during turbulent times, and several shocks have occurred over the last two decades that have affected small businesses but none is as devastating as the 2008 subprime crisis and the Covid-19 pandemic in 2020. The latter event has



been said to have a devastating effect on businesses, and the long-term impact of the pandemic is yet to be conclusively determined [1]. Beginning in late 2019, Coronavirus disease (COVID-19), an infectious disease caused by the SARS-CoV-2 virus ravaged world economies and led to lockdowns and travelling restrictions which affected a lot of businesses across the world. Several studies across the world have tried to measure the impact of the associated social distancing and lockdowns resulting from rising Covid-19 infections with some researchers exploring the economic impact [2] and social impacts [3]. However, not many studies have explored the impact that Covid-19 has had on the strategy of SMEs especially in developing and emerging economies in Africa.

Nigeria is the largest market in Africa by Gross Domestic Product (GDP), with the 2020 GDP being \$432.294B based on data presented by the World Bank [4] and the economy powered mostly by oil exports, agriculture and SMEs. These sectors were also the most hit by the shocks from the pandemic, yet, there is scant empirical evidence exploring the impact that the pandemic has had on SMEs in particular, who are responsible for a considerable portion of the Nigerian GDP. Kalemlı-Ozcan et al. [5] outlined in a report for the International Monetary Fund (IMF) that the impact of Covid-19 on SMEs was so serious that it led to the failure of several companies across the world. Yet within Nigeria, the impact of the pandemic is yet to be empirically studied in detail, and this gap will be filled by this paper. The aim of this study is therefore to explore the impact of Covid-19 on the business of SMEs in Nigeria. The paper will adopt qualitative methods to explore a combination of issues faced by these companies during the lockdowns induced by COVID-19. The findings will allow for a micro-level analysis of key strategic issues that faced the SMEs during this period and how they developed survival strategies to weather the storm of Covid-19.

### **Theoretical analysis**

Since the pandemic begun, SMEs have been the worst hit in terms of challenges faced due to the lockdowns and Covid-19 including both financial and human resources related losses to business owners around the world. Researchers around the world have enumerated the many losses incurred during the pandemic, however, much of the research about the impact of the pandemic and its associated lockdowns have been predominantly conducted on the Global North, with very few studies empirically exploring how the pandemic has affected businesses in the Global South. There is particularly lesser emphasis on small and medium sized enterprises (SMEs), who are the powerhouse of the economy and create

most of the jobs within any given economy, making it critical to explore how these firms were impacted by the pandemic [6]. Several studies across the world have investigated the impact of Covid-19 on small businesses, with perspectives ranging from negative impact on sales reported by the World Bank [7] to loss of entire businesses in Europe, yet there is little evidence presented from the Nigerian standpoint. One of the few authors who pointed out some of the impact of Covid-19 within the small business sector in Nigeria was O. Aladejebi [8], however there were several shortcomings in the paper, which this research work seeks to fill. First, the study presented data gathered via quantitative means, which did not contain sufficient details of the impact of the pandemic on business. Fielding & Schreier [9] had already presented criticisms as to the adoption of quantitative methods as stand-alone methods for measuring intangible metrics, thus the analysis presented in Aladejebi [8] may be considered inadequate for measuring an intangible such as the impact of Covid-19 on small businesses. Also, being constrained to a list of options as done within quantitative research has presented a limitation to the study, as it is difficult to provide context and rich information about how the pandemic has affected the business in detail. As a result, a gap exists in understanding the impact that Covid-19 has had on small businesses in Nigeria from a micro-perspective. The central aim in this study is therefore to explore how the Covid-19 pandemic has impacted small businesses in Nigeria from an empirical point of view.

### **Methodology**

The sampling strategy adopted in the study was convenient in nature [10], comprising of ten companies in Lagos, Nigeria, who were the easiest to recruit. In addition, five small business experts were also interviewed to get additional non-biased information in relation to the challenges faced by small businesses during the pandemic [11]. Due to the associated Covid-19 restrictions, the interviews were conducted using online video conferencing tool (Zoom) in order to adhere to the social distancing guidelines. The participants for the study were recruited directly via the researcher's own network, and only small businesses with less than ten employees were recruited for the study. The qualitative method of analysis was employed in this paper as the preferred methodology for the study, particularly using the thematic analysis by Clarke & Braun [12]. This process involves three main steps of analysis. First, there was a prior free coding of the original findings into initial themes, followed by grouping of similar free codes into descriptive themes. The coding process was concluded by the generation of



final analytical themes as the end product [13]. The tool employed in the analysis was NVivo 12, which is one of the world's premier Computer-Assisted Qualitative Data Analysis Software (CAQDAS) tool and it allows for the reliability and replicability of data analysis. NVivo12 was also selected for its ease of data coding and data organization, which makes it more versatile than its counterpart as it is more functionally aligned to thematic analysis by Zamawe [14]. In terms of the ethical implications of this study, the main ethical consideration was the protection of the identity of the respondents of the study, and this was achieved via complete anonymization of the interview data immediately after they were collected. The findings from the study are presented in themes and also using graphical analysis on demand, in order to be able to link the findings to the central aim of the study.

**Results**

The findings from the study are divided into three different major themes, based on the responses

from those interviewed from the study and these are presented in more detail below as structural, strategic and financial impacts.

**Structural Impacts.** This theme captures several structural issues that have faced small businesses in Nigeria at the moment. In terms of structural changes for organizations, some are positive in nature and some are negative in nature. These are presented in detail in Table 1 below.

From the data presented in Table 1, it is evident that the perceived structural issues faced by small businesses in Nigeria are more negative in nature than positive. In terms of the positives, it was surprising to see that some businesses actually increased their client base and sales during the pandemic and witnessed positive growth. This is reflected in the response of one of the respondents:

*“The COVID-19 period was one of our best periods, we did research and many companies now work from home and people are glued to their system, TV, mobile phones more than before which made us introduce new products” – CEO\_1.*

Table 1

**Structural impact of pandemic on Nigeria small businesses**

Pros	Cons
<ul style="list-style-type: none"> <li>• Increased client base for essential services</li> <li>• Increased sales (especially for B2C companies and those doing deliveries)</li> <li>• Digital transformation and upskilling</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced subscriptions due to uncertainties</li> <li>• Suppliers overpricing due to uncertainties in the market</li> <li>• Delays in delivering goods due to logistical issues exacerbated by Covid-19</li> <li>• Psychological effect on employees</li> <li>• Funds needed to meet the delivery model</li> <li>• Business closures due to low demand</li> <li>• Increase in reverse logistics (goods returned)</li> </ul>

The finding that some firms recorded positive growth is consistent with Schepers et al.'s [15] conclusion that the pandemic drove firms to adopt new revenue models and also become more consumer centric, leading to increased profitability. As a result, it was not all doom and gloom for small businesses, especially those who were agile and able to adapt to the changing needs of their consumers. Another positive issue recorded during the pandemic is the motivation for businesses to transition to become more digital driven and adopt more technology tools.

*“For the positive, we were able to transform some of our service digitally and we could reach more clients in regard to our businesses” – CEO\_7.*

The Covid-19 induced response strategy adopted by firms by becoming more technology-driven may have been good for businesses, as it helped more firms to become more proactive in their technology adoption and promoted more innovative approaches to doing business via leveraging technology. This

was not a unique case for Nigerian businesses as Patma et al. [16] noted a similar pattern in SMEs in Indonesia during the pandemic.

Despite this seeming positive, there were a number of negative impacts identified by respondents in the study, the volume of which outweighs the wins recorded by some. Key among these is the need to downsize business due to reduced demand for goods and services and uncertainties in the market. From this study, the firms involved in the services sector such as tourism were the most impacted by negative structural changes and those providing in-person services to clients. An example below was given by a service firm that serves university students, who were forced to study remotely due to the pandemic.

*“Due to the environment, we were in [lockdown], when students were not around on campus, we had to shut down business completely” – CEO\_6.*

Incidences like the above are not uncommon within the small business community, as several businesses were forced to close up completely as a result



of losing 100% of their client base. Breier et al. [17] outlined that service focused businesses and firms in the hospitality industry faced the most challenge during the pandemic, and some of them recorded total loss of their business as a result, forcing them to either innovate in terms of service development or close the business completely.

Another key structural issue faced during the pandemic for small businesses is the increase in cost of logistics. Dua et al. [18] reported that small businesses needed to adopt more efficient logistic systems at much higher costs due to not having similar economies of scale as large companies like Amazon or AliExpress. Nigerian small business owners do not have a centralized delivery partner like Fedex or UPS, thus they have to resort to private logistic partners, which are often very expensive. These private companies are notorious in terms of costs and also very poorly regulated, leading to delays and business losses for entrepreneurs.

*“One of the negative effects of the pandemic is in making deliveries to our customers, as there are delays in delivering the products that our customers have ordered” – CEO\_4.*

The challenges with logistics is not unique to Nigerian small businesses, as Javed & Ayaz [19]

outlined that the supply chain and logistics management processes around the world are broken and needed to be amended to save SMEs from going under. Another logistic related issue induced by Covid-19 is the increase in number of returned goods or reverse logistics. Some of the interviewees claimed that the rate of product returns increased during the pandemic, due to more deliveries being made and the inability of people to examine goods prior to buying them in-store. The costs and manpower involved in this reverse logistics process is detrimental for small businesses, who do not have a large budget to work with. As a result, many small businesses suffered due to product returns, order confusions and other reverse-logistics related issues during the pandemic. Deloitte [20] had published a document outlining that reverse logistics may be the main disruptor within the supply chain management of businesses amidst the Covid-19 pandemic due to its traditional pain points and costs to businesses.

**Strategic impacts.** Under this theme, the strategic impact of Covid-19 on small businesses will be examined. This includes impacts related to human resources, customer loyalty, trust issues, competitors and the business environment. The impacts are outlined in Figure below.



Figure. Strategic impact of the pandemic on Nigerian small businesses



There were several strategic issues presented by the respondents and the primary impact is the loss of trust/confidence fostered by clients not being able to view products in-store. Customer confidence is a huge part of repeat business and when clients cannot come physically to the store to view products before making a purchase, it sometimes leads to reduced inbound requests for good, and loss of sales as a result.

*“Also, some of our services that are provided physically could not be done and many opportunities were lost” – CEO\_6.*

Another impact outlined by respondents is the contractual obligations that the pandemic has made it impossible for small businesses to meet. Nigerian-based SMEs who had signed long-term contracts with larger firms had their schedules disrupted by the pandemic, and yet not all of them were able to renegotiate the contract with their business partners, leading to losses on their part.

*“One of the things that the pandemic has done is putting on hold the contracts and businesses that should have been executed are still pending” – CEO\_7.*

Trawnih et al. [21] stated that firms in Malaysia begun implementing flexible contracts for small businesses in order to assist them with coping with the fallout of the pandemic, however, Nigerian SMEs are not afforded the same privilege in this sense. There has been no widespread support in terms of contractual flexibility for firms either from the government or from the private sector. Staying with the reference to government support, the Nigerian government is not popular for supporting small businesses or start-ups, therefore most SMEs do not even look to the government for support. One of the business experts interviewed highlighted this as a serious problem facing SMEs as they are left without support either from government or the private sector, which is not so in other developing or developed countries:

*“...the government till today is yet to bring up meaningful policies that would aid businesses kick start after about six months of lock down. Again, Start-ups and small businesses seem to be the worst hit because if the government does not have plans for already established businesses, there was nothing to offer start-ups” – EXP\_2.*

The lack of policy support is critical within the context of Nigerian small businesses and unlike the situation reported by authors such as O’Toole et al. [22] where governments gave out wage subsidies and tax incentives to small businesses, Nigerian small businesses were not beneficiaries of any major intervention programs. While KPMG, one of the leading financial services firms in Nigeria, reported that the government introduced several economic stimulus measures, only one of the initiatives was focused on SMEs [23], the efficacy of which was not acknowledged by any of the respondents interviewed. The

government did release NGN 50 billion target credit facility for affected households and SMEs, yet none of the respondents acknowledged that these funds got to them, leaving one to wonder where these funds went or to whom they were disbursed.

Another critical strategic issue that was highlighted several times by respondents is the human resource related impacts of Covid-19. First off is the staff shortage that came about due to employees testing positive, and also the mass resignation that has become quite notorious around the world. The shift to remote work has left many employees wanting to work remotely, leaving physically intensive businesses at a core disadvantage. As highlighted earlier, one of the businesses most affected are those in the tourism industry, where staff shortages and safety concerns have exacerbated the HR crisis. The findings show that due to safety concerns, both clients and workers are cautious of working during the pandemic, leaving a situation of shortage of both customers and workers to execute orders. K. Kurpayanidi, A. Abdullaev [24] already highlighted that safety concern is a top concern for SMEs impacted by Covid-19, and while many big firms can afford to make safety protocols available, smaller businesses can only do so much.

Businesses losing trust of their consumers is no longer news, as firms are scrambling to rebuild trust with stakeholders after several challenges that have upended the trust between firms, their clients and their suppliers [15]. Small businesses in Nigeria attest to the fact that one of the main issues they have rebuilding trust with customer and assuring them of their safety:

*“...clients want physical testimonies and not hearsay. Many calls us that they want to come to the offices and since we could not come due to COVID-19 many of the client are afraid and loss trust as they believe that seeing is believing” – CEO\_6.*

Low-level of trust within the small business community in Nigeria has increased as a result of Covid-19 pandemic and business owners need to confront this problem in the face of the evolving pandemic situation.

**Financial impacts.** Perhaps the most frequently cited risks and impacts of Covid-19 was related to financial issues and several issues were highlighted by respondents as fallout of the pandemic. The first financial difficulty was with paying staff salaries, as most firms became liable for not paying salaries during the pandemic. The second financial impact that occurred was not having sufficient financial reserves/liquidity and challenges with accessing financing [25]. Another financial impact outlined as part of the findings from the study were losses incurred when stores were closed and goods sold off during closing up. Other financial challenges faced by these small businesses are outlined below in Table 2.



Table 2

**Additional financial impact of Covid-19 on Nigerian small businesses**

Area of financial impact	Effect on small businesses in Nigeria
Increased cost of accessing equipment & services	Due to the pandemic and its associated lockdowns, small businesses in Nigeria were forced to pay more for accessing equipment and services, which led to higher financial costs
Losses incurred when having to furlough staff	As some members of staff were made redundant during the pandemic, a lot of small businesses had to furlough staff members, incurring unintended financial costs in the process
Financial cost of high employee turnover	The height of the pandemic saw a lot of mass resignations and high employee turnover
Additional cost of going digital & maintaining an online presence	As most companies were forced to go online/digital during the pandemic, most small businesses recorded a cost
Excess inventory ordered before pandemic	Several small businesses had placed orders for goods and inventories before the pandemic, hence when Covid-19 hit, they suffered serious financial losses in cancelling inventory and return orders.
Increased cost of maintaining staff physical and emotional wellbeing	The pandemic saw deterioration in staff mental and physical health, which saw increased pressures on the finances of small businesses especially in Nigeria

With the information in Table 1 above, we can see that the financial impact of Covid-19 on small businesses is perhaps the most pronounced and the most concerning as it will determine whether or not the business survives in the long-term or not.

Having explored the three key areas of impact that Covid-19 has had on small businesses in Nigeria, it is evident the financial impact is the most frequently cited impact, followed by the strategic impact and structural impact. The study has also shown that despite the abundance of negative impact of the pandemic on businesses, some firms were able to still record some positives. V. Ratten [26] outlined that the effect of Covid-19 on small businesses is staggering due to its unprecedented nature, however, there are critical lessons that can be learned from this pandemic to handle future events.

**Conclusion**

This paper has highlighted three main themes in relation to the impact of Covid-19 on Nigerian small and medium-sized businesses and how they were affected by the fallout of the pandemic. A key finding was that the most critical impact for most interviewed respondents was the financial impact, which agrees with much of the literature across different countries on the impact of Covid-19 on small businesses [27–29]. A critical issue of concern for small businesses in Nigeria was the unwillingness or lack of politicians will to help these businesses cushion the impact of the pandemic on their businesses. Another critical finding in the study was how some companies were able to post positive results during the pandemic, despite the challenges

faced. This is not unconnected to their leveraging of technological/digital tools, which gave them a competitive edge above others within their business environment. Hence, while digital/technological tools come at a significant financial cost to the company, it also presented a great opportunity to attain competitive advantage over peers in the industry [30]. A key structural impact also encountered in the research is the impact of reverse logistics (i.e. product returns) on small businesses, who do not have a robust logistical support to cater to the volume of returns, which has increased significantly during the pandemic.

In conclusion, beyond technology, finance and logistics, the impact of the pandemic on small businesses in Nigeria was mostly profound on people-centric issues, particularly within human resources. The cost of high employee turnover, employee redundancy and increased cost of recruitment is something that has impacted small businesses and may even be the most critical determinant as to whether they continue in business beyond the pandemic or not. These issues are crucial for both SMEs owners and other stakeholders within the industry in preparation for policy development and future “black swan” events such as pandemic.

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