

**PLANNING AND DECISION MAKING OF ENTREPRENEURS: VERITABLE
TOOLS FOR SUSTAINABLE DEVELOPMENT OF SMALL AND MEDIUM
SCALE ENTERPRISES IN NIGERIA**

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Abstract

Unemployment is the greatest challenge confronting the Nigerian graduates today. To curb this problem, one of the major needs of Nigeria as a country today is not just graduates that are conditioned by training for white collar jobs, that are nowhere to be found, but those who are independent, creative and resourceful and who will be able to use their talents to survive on their own. These groups of graduates are called entrepreneurs. An entrepreneur is perceived as a person who co-ordinates other factors of production and bears the risk of uncertainty by investing his resources in the venture. For most of these ventures to be sustained by entrepreneurs, developing a business plan and also employing positive decision making process become inevitable, as nobody actually plans to fail. The failure of most small and medium scale enterprises in Nigeria indicates frequent deficiencies in planning and ineffective decision making. The decision making steps are very important because it helps in identifying problems or concerns, suggests solutions, and then implements the choice. The success of any venture depends ultimately upon the quality of the choices and decisions made during the initial planning process. This paper though an opinion one, through review of related literature, narrated the impact of planning and decision making on enterprises. It started with the concept of planning, importance of planning to business, characteristics of a good plan, types of planning, steps in the planning process, the business plan of an organization, the concept of decision making, classification of decisions in organizations, the decision making process in a business, conditions for decision making to start and finally, the paper narrated the implications of planning and decision making in organizations on sustainable development of a nation. It was therefore recommended among others, that the government should always organize seminars for small and medium scale enterprises to acquaint them with the knowledge of developing business plans and taking proper decisions for the success of their enterprises

Keywords: Small Enterprises, Sustainable, Development Planning, Decision-making Entrepreneurs, Veritable tools

Introduction

Unemployment is the greatest challenge confronting the Nigerian graduates today. This unfortunate incidence gives our nation poor image and indeed a pariah status in the communities of nations. The social and psychological consequences of unemployment have affected every fabric of our society and its repercussions are felt by all. For instance, the inability of the government to provide employment opportunities for our young graduates has led some of them into anti-social road of human trafficking, prostitution, cocaine pushing, armed robbery and alcoholism, etc.

To curb these trends, the educational programme that enhances development through acquisition of skills for self-reliance becomes very important here. The needs of the country today are not just graduates that are conditioned by training for white collar jobs that are nowhere to be found, but those who are independent, creative and resourceful and will be able to use their talents to survive on their own. These groups of people are called entrepreneurs. In economic theory, an entrepreneur is perceived as a person who co-ordinates other factors of production and bears the risk of uncertainty by investing his resources in the venture. An entrepreneur is also a calculated risk taker, who enjoy the excitement of challenges, not necessarily gamblers. However, the present definitions of the entrepreneur by many authors emphasize similar notions such as creation of wealth, risk taking, newness and organizing. Therefore, the knowledge of small scale businesses becomes imperative for the graduates of today. Small and medium scale businesses are vehicles for economic development and job creation for every nation. It helps in the production of innovators, creators, producers and workers who are not ashamed to work with their hands, irrespective of their areas of specialization. Small scale enterprises in Nigeria may have continued to fail due to poor planning and ineffective decision making. However, for any enterprise to accomplish its goals, the basic planning and decision making functions must be applied in the overall operations of the enterprise. This is very important as nobody starts a business and plans to fail immediately. Planning and decision making play important roles in the survival of small scale enterprises. Planning and decision making are very important for the effective management of small and medium scale enterprises as sound business decisions are at the heart of any good business plan whether for a new firm or an existing business. A business man who wishes to enter into any business has to engage in detailed planning in order to identify the sources of raw materials, equipment, man power supply and sources of working capital as the success of any venture depends ultimately upon the choices made during initial planning process. Many small and medium business owners fail because they do not understand formal plans, and also they do not possess most of the skills needed to prepare workable business plans. Most of the time of these small business managers may be consumed in solving the day-to-day problems of their businesses, and having no time to look ahead as regards the proper planning of their businesses. Some of these entrepreneurs believe that planning is unnecessary, waste of time and an expensive venture. These has led to the failure of many small and medium scale enterprises in Nigeria. The present economic recession in Nigeria has, however, made some businesses to have experienced more fundamental and socio-economic changes, coupled with sudden policy rehearsal and so much uncertainty about

future organizations. Businesses have also witnessed factors like inflation, scarce foreign currencies, liquidity mop up, new financial products and services, revised pricing strategies and guided deregulation among other things. All these have forced many enterprises to be distressed and perhaps may have finally liquidated. This is of great concern to management of enterprises in Nigeria as nobody actually plans to fail or incur losses in business.

From the fore-going, it becomes desirable and imperative for the management of enterprises to evolve a re-structuring, re-positioning, re-engineering and re-focusing processes. This implies that enterprises among other things, must plan, using longer gestation periods in order to program for future development. What planning focuses on is the intelligent attempt at selecting the best alternative road maps to achieve the desired objectives. In short, planning is a directional road map for where an organization is heading to, how it will get there and how it intends to achieve its goals

Most of managers of successful businesses today did not achieve such feat through sheer luck. They possess the essential attributes of planning as they are action-oriented “planners”, who, have talents for entrepreneurship, combined with flair for day- to- day management and internal leadership. They are aware of their responsibilities to re-shape and lead the enterprises down clear cut paths, and to formulate coherent plans that will produce /competitive advantage and long run term financial success and also orchestrate successful implementation of the chosen plans. They watch like hawks to see that their enterprises have good plans and execute them to perfection. The knowledge and application of proper planning has aided them in being good planners and entrepreneurs as well as good inside leaders

However, through the art of decision- making, entrepreneurs constantly shape and re-shape their businesses. They decide on what direction they want their businesses to go and make their plans and decisions to get there. Therefore, for any business to accomplish its goals, the basic planning and decision making functions must be applied in the overall operations of the business.

The Concept of Planning

Planning is the process by which entrepreneurs analyze the present conditions of their businesses so as to determine ways of reaching desired future stages (Anadiobi, 2010) It involves the establishment of objectives and a step-by-step determination of the activities and resources necessary to achieve them. In other words, planning is a thought process concerning a proposed course of action. In short, a plan is a blue print for an action. It specifies the part that the business will follow in moving from its present position to where it wants to be.

Importance of Planning in Organizations

The importance of planning in organizations and every aspect of life cannot be over emphasized However, the benefits of planning to small and medium scale enterprises are as follows:

1. Planning enables the entrepreneur to have a deeper understanding of the business, the

environment in which the business operates, the opportunities available to it and strengths and weaknesses of the business

2. Planning enables the entrepreneur to have a clear focus and direction
3. Planning makes it possible to allocate and utilize resources more efficiently
4. It helps to minimize risk and uncertainty which is prevalent in the business world
5. Planning is important when the entrepreneur is seeking for external funds from the bank, because it helps the entrepreneur to know what he/she needs and when it is easier to get a loan from the bank
6. Planning is needed for control purposes, having established the direction of the business, the entrepreneur can then determine how well he/she is doing

The Characteristics of a good Plan

For a plan to yield the benefits highlighted above, it must possess the following attributes:

1. It must be simple and clear enough for the entrepreneur to use
2. It must be based on clearly defined objectives of the organizations
3. It must be realistic and capable of implementation in the organizations
4. It must be flexible to take care of what takes place in our dynamic environment. This involves building into the plan opportunity to monitor the performance of the plan and take appropriate action, should circumstances make it necessary
5. It must have economic effectiveness. A good plan must be economically flexible. This means that there must be resources to implement it at the least possible cost
6. It must provide for proper analysis and classification, including the establishment of standard measurement
7. It must be conveniently possible to measure progress against the objectives in quantified terms, quality, time and cost
8. It must be pragmatic, that is, it must lead to desired actions, which will move the business forward by creating the desired changes

Plan Types

Plans can be classified in terms of time horizon, functional areas and frequency in which the plan is made. This is very important so as to enable the entrepreneur choose the particular type of plan needed by an organization. In terms of time horizon, we have the following types:

1. **Long Range Plans:** These are sometimes called strategic plans. It covers a period of over five years. Long range plans center on the business goals and strategies for goals and development. Strategy helps a business to determine its future plans. All successful businesses have strategies to exploit their environment by first undertaking a detailed analysis of their strengths and weaknesses, opportunities and threats (SWOT), after which, a plan of action is formulated based on the analysis. Summarily, strategy helps the entrepreneur to identify and define factors such as:
 - a. The product or services it is capable of producing

- b. The market it can serve and
- c. The targets to meet

2. **Short Range Plans:** These can also be referred to as operating plans. They are concerned with the near future, ranging from a month to the next one or two years.

The long range plan of the business determines what constitute its short range

As earlier said, plans can also be classified according to the functional areas of **production, finance, marketing and human resources**. The specifications of these types of plans are discussed below.

- a. **Production Plan:** This is based on the target sales of the product over a period of time. It specifies the quality of raw materials required to produce the target sales for the period, the machine and equipment needed to carry out the production and the operations required to process raw materials into finished products.
- b. **Financial Plan:** This indicates estimate of fixed capital requirements such as land, building, equipment, furniture, estimate of working capital needs and funding sources.
- c. **Marketing Plan:** This specifies the customers the entrepreneur wants to serve and the benefits he/she will provide to meet the need of his/her customers.
- d. **Human Resources Plan:** This shows the estimate of the number of personnel needed, the level of skills and experiences required, the salary level and the best way to utilize them.

Plan can also be classified in terms of the **frequency** in which planning is made According to Ezelm, (2016), this classification can be in form of **standing plan** and **single use plan**.

- 3. **Standing Plans:** These are plans used to deal with recurring problems. They are used wherever such problems arises. It takes into consideration **policies, procedures and rules**.
 - i. **Policies:** Policies are business standing plans of actions to guide its method of operations. Every business is expected to have policies in all its major areas of operations such as marketing, production, purchasing, personnel and finance.
 - ii. **Procedures:** These deal with the manner that a business enterprises go about to achieve their objectives. it defines ways of performing activities. In small and medium business enterprises, there can be procedures for costing product, making purchases or even granting credits.
 - iii. **Rules:** Rules prescribe particular actions that ought to be taken or not to be taken. Rules allow no room for decision-making.
- 4. **Single-use Plans:** They are needed for unique situations that are not likely to be repeated in these forms.

Steps in the Planning Process

Stages involved in the planning process include:

- 1. The determination of business goals, objectives mission and vision
- 2. Identification of opportunities
- 3. Selection of a course of action
- 4. Implementation
- 5. Feed- back.

The first step in the planning process is the determination of business goals, objectives, mission, and vision. Goals are open-ended desired state of affairs. They state the direction, which the business will go in the next five or more years while objectives are close-ended desired state of affairs. Actually, objectives are goals stated in short, specific and measureable terms.

An entrepreneur can state his/her goals and objectives in term of profit, growth, increasing its share of the market, sales volume, return on investment etc.

Mission refers to the unique reason for the existence of the business enterprise, that is, the customer needs the business is set up to satisfy and how the need will be met. For example, an entrepreneur's mission statement could be to produce quality bread for high income earners.

Vision indicates what the entrepreneur wants the business to be to its customers, employees, and the community in which it operate.

Once the goals, objective, mission and vision have been determined, the entrepreneur has to search for opportunities as to key customers, competitors, suppliers, and the type of technology required. Then he has to select appropriate course of action for accompanying the goals and objectives.

The next step is the implementation of these measures and finally, feedback, which serves as a control process. This helps the entrepreneur to take corrective actions when necessary.

The primary purpose of planning is to create a **business plan** and it is very pertinent here, for every entrepreneur to be conversant with how to formulate a business plan. A **business plan** is a detailed written statement that describes the nature of the business, the target markets, and the advantages the business will have in relation to competition and the resources needed, including the money needed to start and cover other details of operation. However, the contents of business plan depend on the type of business and the reason for creating the plan. Each plan is unique in content and style, but several major components or sections are common to most plans. According to Weidy (1999), these include:

- i. Cover page and Table of contents
- ii. Executive Summary
- iii. Business Description
- iv. Marketing plan
- v. Operation and management plan
- vi. Financial Plan
- vii. Appendix

The list given above is how the components normally appear in a typical business plan. In other words, the entrepreneur can still make necessary adjustments to suit his/her objectives. This information is:

Cover Page and Table of Contents

The cover page, which is the first component of a typical business plan, contains all the information that will help identify your business.

- i. Address

- ii. Telephone number
- iii. Name of person(s) to contact if those receiving the plan have questions. The person can be the entrepreneur.

The date the plan was completed and the time period it covers. On the other hand, the table of contents should, clearly indicate the page on which each section of the business plan begins.

Executive Summary

This section is also called a statement of purpose. It is a brief account of the business history, objectives, financial status, management and marketing structures. It also includes the mission statement, objectives of the plan and the business background.

Although the executive summary appears at the beginning of the business plan, it should be prepared last because it summarizes all the details of the plan

Business Description

The business description section contains information that is specified to your business and should provide a clear picture of your resources and your capabilities as an entrepreneur

This section of the business plan should include product or service description, business structure, facility structure and personnel description.

Marketing Plan

This portion of the plan defines the current customer base, customers' needs, and how products or services will satisfy those needs. It also explains the methods for promotion and sales. It includes market analysis, marketing strategy and sales plans

Operating and Management Plan

This section of the business plan explains how to operate and manage the day-to-day activities of running the business. The specific operational issues an entrepreneur will face depend on the type of business he/she runs. It includes information on recruitment and management of employees, compensation and benefits of employees and administrative tasks

Financial Plan

To create a financial plan, the entrepreneur will have to prepare series of financial statements such as balance sheet, income statement and cash flow analysis. If the plan is for an existing firm, the information needed can be derived from the financial records of the business, if the plan is for a new business, the entrepreneur has to provide personal financial information as a substitute. The entrepreneur should indicate the personal fund he/she is able to invest in the business and provide specific details about personal assets that are available for operating the business.

Appendix

The appendix consists of items that are not part of the business plan but serves as useful aids to those who will read the document, for example, it may include notes that will help the reader better understand the accounting principles and other terms that are used.

Planning is a continuous process and so a business plan should be updated and be revised as the business grows. If the plan is not always updated, to reflect changes in the business and other external factors, the plan will ultimately be useless. However, the success of any venture depends ultimately upon the quality of the choices made during the initial planning process. This therefore, leads us to understand what decision making in organizations entails

The Concept of Decision making

A decision is the selection of alternative course of actions from available alternatives in order to achieve a given objective. It is a choice aimed at achieving optimum result in a given situation. Decision making therefore, includes all the processes of thought and actions that lead to a choice. It involves a conscious choice on the part of the entrepreneur, since it includes the sifting of the “best” out of a collection of often-conflicting alternatives

Types of Decisions

There are different types of decisions that can be made bt entrepreneurs. These include:

1. Programmed and non-Programmed decision and
2. Strategic and operating decisions

Now, let us take the above one after the other

1. Programmed and non-programmed decisions in organizations

Programmed decisions are decisions that have become routinized because we understand the structure of the problem, and we have the information needed to take the decision. They are made in accordance with written or unwritten policies, procedures or rules that simplify decision in recurring situation by limiting or excluding alternatives. For example, entrepreneurs may not have to worry about the salary range for a newly hired employee because he may have a salary scale for all positions. The policies, rules and procedures by enterprises make programmed decisions save time, therefore allowing them to devote attention to other important activities in the organization.

Non programmed decisions deal with unused or exceptional problems. If a problem has not come up often to be covered by a policy or is so important that it deserves special treatment, it must be handled as a non-programmed decision. For example, the decision about what to do when a product is failing the organization.

2. Strategic and operating decisions

While strategic decisions are often directed to the organizations external environment, operating decision relates to the pricing, marketing and production decisions designed to ensure profitable operations

Decision making can also be classified into three major groups as follow.

They are:

- (i) Decision making under certainty
- (ii) Decision making under risk
- (iii) Decision making under uncertainty

Decision making under certainty is a decision making condition in which the entrepreneur has accurate, measurable and reliable information about the outcome of various alternatives under consideration. It is a decision made with full knowledge of the occurrence of an event

Decision making under risk occurs whenever the entrepreneur cannot predict an alternative outcome with certainty, but have enough information to predict the probability it will lead to the desired state, if it is assumed that accurate knowledge about the probability distribution of the consequence of each alternative exists

Decision making under uncertainty is a decision making condition in which the entrepreneur face unpredictable external conditions or lack the information needed to establish the probability of certain events under condition of uncertainty, little is known about the alternatives or their outcomes.

The Decision Making Process in organizations

For decision making to be effective, there are some basic stages it must go through. This is depicted in the Figure 1below:

Figure 1: Stages in the Decision Making Process

[Problem Definition]

[Search for Alternatives]

[Evaluation of Alternatives]

[Choice of Alternatives]

[Implementation]

Source: Ezelm (2016), citing Luzy (1994:99)

Problem Definition:

The first stage in the decision making process is the identification of problem. Activities in the business enterprise may indicate the existence of certain problems. The problem which the decision must solve has to be properly defined. It will invariably entail eliminating a constraint or limiting factor. This limiting factor therefore has to be correctly identified, so that one does not end up treating symptoms rather than the ailment itself

Search for Alternatives

This helps to determine possible courses of action. The number of alternative ways of solving a problem that could be thought out depends on the efforts expended by the decision maker in the search for alternatives.

Evaluation of Alternatives

Evaluation of the most appropriate alternative is constrained by four major factors as described by Ezelin (2016). They include:

1. Limitation of resource
2. Economy of effort relative to result
3. The risk relative expected gain
4. Timing that fits requirement of the situation

Choice of Alternative

This is the selection of the course of action believed by the decision maker to yield the best result on the circumstance. By choosing a given course of action, the decision maker commits himself. Decision making must be logical and defensible as such decision must demonstrate and interpret an acute rationality.

Implementation

A decision process is not completed until it is implemented. If this stage is not properly carried out, the entire process becomes a waste of time and resources.

According to Ezelin, (2016) it takes four conditions for decision making to start. These conditions are:

1. **A step must exist between desired state and existing state-** There must be a gap between the level of objective, achievement desired or expected and what we are achieving. Thus, if our objective was to achieve a market share, of 10 percent, and we are getting only 2 percent, there is a gap.
2. **The gap must be large enough to be noticeable and thus perceived as deserving attention:** Some theorists refer to minimum thresholds before threats, opportunities, or gaps receive attention. If 9½ percent market share is achieved, we may not notice the gap and thus no decision will be forthcoming.
3. **The decision maker must be motivated to reduce the gap:** Before a decision maker is motivated to make a decision, there must be a gap in a significant objective.
4. **The decision maker behaves that he/she can do something about the gap:** If the decision maker believes that the gap is beyond his/her control, decision making cannot take place. Thus if a gap is a sales decline in corn, and the decline is caused by inadequate rain to grow the corn, the decision maker may not boarder to deal with the sales decline, except if he is able to employ the irrigation system to help to grow the corn

Anadiobi, (2010), went further to say that once a problem is perceived as a gap, the decision maker begins to generate alternative solutions. The decision maker can choose routine

methods of alternative generation like looking at what he/she did before in such cases or use creative approach.

To help make the choice, the decision maker may gather information from how much information is sought and from where, depending on how the decision maker sees the problem. If it is a simple problem with which he or she has experienced with, new information will be gathered. If it is quite different, then more information from unique sources might be sought. The choice is based on the criteria chosen, the decision outcomes or the set objectives.

Conclusion

Developing a business plan is important to the sustainability and success of most entrepreneurial ventures. It should involve a planning process and employ positive decision making techniques. The decision making steps identify problems or concerns, suggest solutions and pick the best solutions and then implement the choice.

Implications of the Study on Sustainable Development

Unemployment is the greatest challenge confronting Nigerian graduates today. To curb this problem, Nigeria needs not just graduates that are conditioned by training for white collar jobs, that are nowhere to be found, but those who are independent, creative, and resourceful, and will be able to use their talents to survive on their own. These groups of graduates are called entrepreneurs. In economic theory, an entrepreneur is perceived as a person who co-ordinates other factors of production and bears the risk of uncertainty by investing his resources in the venture (Igbo, 2009) Therefore, the knowledge of small and medium scale enterprises become imperative for the graduates of today. Small and medium scale businesses are vehicles for economic development and job creation for every nation. Indeed, the survival of every nation is highly dependent on the functions of small and medium scale enterprises, and for the sustainability of these enterprises, good business plans and positive decision making processes are highly needed. This implies that enterprises, among other things, must plan, using longer gestation periods, in order to programme for the future. However, through the art of decision making, entrepreneurs constantly shape and re-shape their businesses to survive as nobody actually plans to fail or incur losses in business. The decision making steps are very important because they identify problems or concerns, suggest solutions and then implement the choice. Also, sound business decisions are at the heart of any good business plan, whether for a new firm or an already existing one. Therefore, the success of any venture depends ultimately upon the quality of the choices made during the initial planning process. All these observations help enterprises to operate at full capacities and to improve the living standards of the Nigeria nation as a whole and our young graduates in particular, by encouraging them into entrepreneurship, hence the sustainability of the nation continues to grow.

Recommendations:

For small and medium scale enterprises to be managed properly, towards sustainable of the Nigeria nation the following are recommended:

1. Every entrepreneur should be involved in proper business plan to enable him or her have a clear focus and direction for his/her business.
2. Government should always organize seminars for small and medium Enterprises whereby they are acquainted with the knowledge of how to develop business plans.
3. Lectures should be organized by the government always for new entrepreneurs whereby theories of decision making like the rational model, the bounded rational model and the political model should be taught to them. All these models explain how decisions are made in organization.
4. The use of quantitative and computer as aids to decision making in small and medium business enterprises should also be encouraged by the government.

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