Archives of Business Research – Vol. 12, No. 1
Publication Date: January 25, 2024
DOI:10.14738/abr.121.16328.
Aladejebi, O., Bamkole, P., & Amao-Taiwo, B. (2024). The Impact of Business Diagnostics on the Activities of SMEs in Nigeria. Archives of Business Research, 12(1). 20-34.

SERVICES FOR SCIENCE AND EDUCATION

The Impact of Business Diagnostics on the Activities of SMEs in Nigeria

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ABSTRACT

In the context of Nigeria, where the average lifespan of businesses is limited to approximately five years, addressing and overcoming challenges has become a critical imperative. This study underscores the pivotal role of business diagnostics in supporting the growth and sustainability of businesses, particularly Small and Medium Enterprises (SMEs), in Nigeria. Specifically, it investigates how SMEs in Nigeria employ diagnostic tools, such as SWOT analysis, to discern their strengths, weaknesses, opportunities, and threats. Utilizing a qualitative research methodology, the study employs a structured, open-ended questionnaire as the primary data collection instrument, with a sample of fifteen strategically chosen SMEs participating in a specialized course at a business school. Purposive sampling ensures diversity among the selected SMEs, enriching the depth of the collected data. The structured, open-ended questionnaire allows participants to express their perspectives, facilitating in-depth responses freely. Thematic analysis is applied to identify patterns and insights within the qualitative data, providing nuanced answers to the research questions. The findings underscore that business diagnostics significantly contribute to the effective management and growth of SMEs in Nigeria, illuminating the potential for increased economic development through improved SME performance. Incorporating the results, the study sheds light on the varied experiences and perspectives of SMEs with business diagnostics, offering a rich and contextualized exploration of the subject matter. Meaningful recommendations derived from the study's findings, contribute to the body of knowledge on effective business diagnostics for SMEs in Nigeria.

Keywords: Business diagnostics, small business, Diagnostic tools, Entrepreneurship theory, Resource-based theory, Results, Recommendations

INTRODUCTION

Small and medium-sized businesses (SMEs) play a vital role in promoting innovation, creating job opportunities, and supporting financial stability, contributing significantly to the global

economy. The World Bank reports that SMEs account for 90% of all firms worldwide, showcasing their prevalence and importance. Moreover, they contribute to almost 50% of global employment, underscoring their critical role in economic growth and job creation.

In Nigeria, SMEs hold a pivotal position within the nation's economic framework, serving as the lifeblood of the economy. These enterprises are crucial for job creation, providing livelihoods for a substantial portion of the population, and contributing significantly to income generation. Beyond employment and income, SMEs are key drivers of Nigeria's GDP growth, constituting about 48% of the GDP, shaping the economic landscape, and fueling development in various ways.

Despite their importance, SMEs in Nigeria face challenging obstacles, with a notable high mortality rate in their early years. Factors such as restricted access to finance, regulatory restrictions, severe competition, and shifting market dynamics contribute to this challenging business climate. The alarming rate at which businesses fail emphasizes the need for regular diagnosis to avert sudden collapses. Like diagnosing illnesses in humans, correct business diagnosis is crucial for determining areas of deficiency and prescribing appropriate strategies. Business diagnostics can range from basic corporate health checks to in-depth analyses of specific business areas, providing valuable information for developing fresh strategies and plans.

Despite their evident importance, SMEs in Nigeria confront several difficult obstacles that might thwart their expansion and long-term viability. The increasing mortality rate in this area is one of the most important challenges. In the first few years after inception, a sizable portion of small and medium-sized businesses are compelled to shut down. This high mortality rate is a stark reminder of the challenging business climate, which is characterized by issues including restricted access to finance, regulatory restrictions, severe rivalry, and shifting market dynamics.

The concept of business diagnostics has gained traction to address these challenges. Business diagnostics involve a structured and systematic assessment of an organization's operational health, allowing businesses to identify weaknesses, optimize internal processes, and make informed strategic decisions. This strategic approach is crucial for analyzing how a company's current performance compares to competitors and addressing organizational issues hindering growth and success.

A business diagnosis is immensely valuable across critical areas like planning and management, legal compliance, human resources, financial operations, accounting procedures, and taxation policies. This approach enables SMEs to gain an in-depth understanding of their overall operational health, fostering well-informed decisions and sustainable growth.

Both policymakers and academics are keenly interested in SME growth, and business diagnostics can play a pivotal role. It helps identify deficiencies, allowing for needs analysis and accurate assessments. However, there is still a need for more research in the area of firm diagnosis to enhance understanding and provide comprehensive insights. This study, titled "The Impact of Business Diagnostics on the Activities of SMEs in Nigeria," aims to delve into the

URL: http://doi.org/10.14738/abr.121.16328

significance of business diagnostics for Nigerian SMEs. By examining how this approach contributes to competitiveness and long-term sustainability, the study seeks to provide valuable insights into navigating the dynamic and challenging business environment in Nigeria. This paper consists of the problem statement, objectives of the study, conceptual framework, theoretical framework, literature review, results, discussion, and recommendation sections.

Problem Statement

The persistent issue of small and medium-sized firm (SME) failures poses a critical concern in the Nigerian business landscape, considering the pivotal role SMEs play in the nation's economy. The repercussions of these failures extend far beyond mere disruptions to economic activity, significantly impacting various stakeholders. When SMEs shut down operations within the first few years of being established, management teams grapple with the daunting challenge of sustaining successful operations, shareholders witness the erosion of their investments, consumers experience inconsistent service, employees contend with job instability, and investors endure substantial financial losses (Muriithi, 2020). As Nigeria's SME sector undergoes development and expansion, the need for regular business diagnostics becomes increasingly pronounced. The potential danger of unexpected collapses looms large, posing a threat to stakeholder interests and hindering continuous development. Identifying the inherent difficulties and weaknesses within these institutions is crucial to mitigate risks and foster sustainable growth. Many small businesses, in their pursuit of improved growth and productivity, must adopt superior management techniques to enhance their operations. Business diagnostic tools have emerged as a valuable resource, offering SME owners and managers the means to pinpoint weaknesses in their businesses and seek the expertise of SME professionals for effective problem-solving (OECD, 2020). The effectiveness of a business diagnostic hinges on the organization's ability to accurately interpret the findings and proactively address the issues highlighted by the diagnosis. In light of these challenges, this study endeavours to explore the profound impact of the business diagnosis on SMEs in Nigeria, with a specific focus on Lagos as a case study. By delving into this critical issue, the research aims to provide insights that contribute to the sustainable growth and resilience of SMEs in the Nigerian business landscape.

Objectives of the Study

The study aims to achieve the following objectives:

1. To examine the perception of the concept of Business Diagnosis (BD) among small business owners in Nigeria.
2. To identify the factors that motivates small businesses to request BD services.
3. To assess the impact of Business Diagnosis (BD) on the operations and performance of Small and Medium Enterprises (SMEs) in Lagos State.

Research Questions

This study was guided by three research questions, which include:

1. How do small business owners in Nigeria perceive the concept of Business Diagnosis (BD)?
2. What factors motivate businesses to request BD services?
3. What impact does BD have on the operations and performance of SMEs in Lagos State?

LITERATURE REVIEW

Importance of SMEs

Small and Medium-Sized Enterprises (SMEs) are a vital component of flourishing international economies, exerting a significant impact on employment and GDP metrics. They represent 90% of all businesses and almost 70% of jobs and GDP globally, making them the embodiment of economic vitality (World Economic Forum, 2022). SMEs account for more than 90% of businesses and more than 50% of global employment, thereby highlighting the pervasive significance of national economic development (World Bank, 2022).

As Begum et al. (2022) stated, SMEs have evolved into pivotal instruments for fostering sustainable economic growth across diverse economies, both developed and developing. Undoubtedly, their paramount importance is evidenced by their substantial contributions to the advancement of domestic industries, playing a vital role in catalyzing economic activities that generate gainful employment (Ajide & Soyemi, 2022; Begum et al., 2022).

Over the past two decades, SMEs have exhibited commendable performance in both developed and developing nations (Gavurova et al., 2020). Recognizing their centrality, the World Bank has accorded high priority to SMEs, projecting a requirement of nearly 600 million jobs to accommodate the burgeoning global workforce by 2030 (Umar, Alasan & Mohammed, 2020). Small and medium-sized enterprises (SMEs), which are crucial to Nigeria's development, are the foundation of its economic landscape. According to Muritala, Awolaja, and Bako (2012), SMEs have also helped create jobs, encourage rural development, develop entrepreneurship, mobilize local savings, connect with larger industries, provide regional balance by distributing investments more fairly, provide a path for self-employment, and offer opportunities for managers and semi-skilled workers to receive training. The fact that SMEs contribute significantly to job creation address issues of unemployment, and promote social and economic well-being makes their capacity to create jobs especially noteworthy (Begum et al., 2022).

In addition to economic development, SMEs have been found to have an impact on the social development of communities. Abisuga-Oyekunle, Patra, and Muchie, M. (2020) propounded that SMEs play a major role in raising living standards and reducing poverty in Nigeria. Local communities are frequently involved in their operations, and this promotes the growth of sustainable business ecosystems that are advantageous to both urban and rural areas (Gavurova et al., 2020). SMEs have also been promoters of entrepreneurial culture. This is in addition to opportunities they provide for women and other marginalized groups to actively engage in the economy actively, thereby advancing inclusivity and equitable development (Ajide & Soyemi, 2022). This dual contribution to social and economic development highlights how crucial SMEs are to determining how Nigeria will develop and advance.

Concept of Business Diagnosis

According to Feelders and Daniel (2001), business diagnosis is defined as finding the best explanation for observed abnormal behaviour of a system under study. Business Diagnostic tools are developed to assist owners of SMEs in having a better understanding of their business operations and examining operational and strategic areas of their management process (Mazzarol, 2014). A company carries out a business diagnosis to assess current performance and understand which areas are most important, what needs to be done, and how and where.

URL: http://doi.org/10.14738/abr.121.16328

A business diagnosis is a procedure that examines a business to find areas that could be used for the improvement of processes and services. It examines every facet of the market, such as management, finance, operations, marketing, and sales. It strives to deliver an unbiased assessment that can assist a business in understanding its strengths and shortcomings and creating future success strategies.

Conducting a business diagnostic is a multistage process from diagnostic to practice that starts with identifying symptoms of underperformance and establishes causal linkages between those symptoms and enterprise performance. The different models of diagnosis include Porter's five forces, economic value analysis, Business Process Re-engineering (BPR), Total quality management (TQM), and Benchmarking (Muriithi, 2020). The diagnostic process consists of four steps: Diagnosis, Prognosis, treatment, and practice. Diagnosis is associating unsatisfactory performance of business processes with poor managerial decisions. The prognosis is linking the management mistakes to the marketing objectives. Treatment is a decision about the type of intervention. Practice is about the choice of the type of intervention: training, consulting, counselling, or any combination of all three (International Trade Centre, 2104).

Benefits of Business Diagnostics to Small Business

A business diagnostic helps an SME create a well-thought-out strategy that considers its strengths and limitations and the external environment in which it competes through a thorough review of internal resources and procedures (Tkachenko & Pozhuieva, 2020). Knowledge of the current position of the company, comparison of business goals and current actual position, recommendations to improve the business, risk identification and mitigates, identify key challenges and how to overcome them, identification and improvement of weak processes, compliance with government regulations, recommendations in business efficiency improvements (Fáilte Ireland, 2013). Small and medium-sized businesses (SMEs) conduct thorough investigations and analyses to identify their business issues. It gives businesses a clear image of the problems that must be solved. It may also incorporate consumer surveys, competitive benchmarking, financial analysis, and market research to find patterns and trends. Business owners can also interact with their employees to better understand what is happening within the company and how they may make adjustments to increase efficiency. A thorough diagnostic aids SMEs in better understanding their current situation so they can choose future investments and directions with more knowledge. It is particularly crucial if an SME considers expanding into new markets or other industries.

Business diagnostic tools offer SMEs opportunities to assess their strengths and weaknesses in business operations areas. Business diagnostic tools help SMEs and startups identify areas of underperformance in growth, survival and productivity. Business performance gaps and management challenges can be identified. These business challenges can then be addressed for better performance. Business diagnostic tools can help to improve overall business performance and lead to rapid growth in new firms (*OECD. 2020,* Tkachenko & Pozhuieva, 2020*)*. Gives a deeper understanding of the organization. Solves problems practically points to what matters without spending time on little relevant items. Good management and performance depend on diagnosing the right problem and developing the appropriate solutions based on facts (Muriithi, 2020). The diagnostic can assist SMEs in evaluating their present

operations and execution and identifying areas that can be changed or improved to encourage continued development.

Business diagnostic tools can help an owner discover more about their business, improve sales and profitability, assist the business in making better decisions, improve competitiveness, and assist in changing efforts (Tkachenko & Pozhuieva, 2020). Carrying out a business diagnostic enables entrepreneurs to create effective plans by improving their understanding of their personnel, systems, and processes. Applications that are specifically designed to address customer difficulties and cash flow issues are available. Businesses can pinpoint various reasons why their operations or administrations are failing using the findings of a business diagnosis. (Fáilte, 2013). An operational diagnosis can discover organizational inefficiencies that can be corrected to enhance operational performance and productivity by examining processes. Business diagnostic offers a thorough evaluation of the risk profile of SMEs, assists in identifying potential threats that could impact their operations or profitability, and enables them to take proactive measures to mitigate those threats. It may aid in defending the SME from long-term financial losses.

Tools For Business Diagnostics

The domain of business diagnosis encompasses various tools, broadly classified into scientific and traditional interview methods (OECD, 2020). Traditional diagnostic approaches, often involving face-to-face consultations with consultants, have been criticized for their perceived expense and limited accessibility for most SME owners (OECD, 2020; Gilman, M., & Salder, 2021). In response to these challenges, businesses now have the option to choose between in-person consultations and online diagnostic tools, the latter offering a broader reach for SMEs (OECD, 2020).

Automated Business Diagnosis, a subset of online tools, efficiently covers extensive financial information that can be benchmarked against industry averages, as exemplified by the comprehensive approach taken by Fáilte Ireland (2013). Such tools have demonstrated effectiveness in providing a holistic view of a business's financial health and performance (Skandalakis & Nelder, 2001).

The advantage of online business diagnostic tools lies in their wider accessibility and lower delivery costs, which are particularly beneficial for SMEs seeking support (OECD, 2020). Research indicates that the use of online diagnostic tools has become increasingly popular among SMEs due to their convenience and cost-effectiveness (OECD, 2020).

Digital business diagnostic tools, operating through online interfaces, empower business owners to assess their performance against industry standards and receive tailored recommendations for improvement (OECD, 2020; Gilman & Salder, 2021.). These tools integrate quantitative and qualitative information, allowing users to compare results with benchmarks from similar or simulated businesses (Martínez-Conesa et al., 2019). The integration of both types of data has been highlighted in previous research as a key feature of comprehensive business analysis (OECD, 2020). Noteworthy features encompass Benchmarking, Sales, Marketing, Financial Management, Innovation, Production processes, Human resources, IT Management, and Strategy (OECD, 2020). The recent surge in the

URL: http://doi.org/10.14738/abr.121.16328

development of interactive online business diagnostic tools has created platforms where users can actively engage with the diagnostic process and derive actionable insights (OECD, 2020). The distinct advantage of online business diagnostic tools is their low marginal costs. However, concerns exist regarding their potential generic nature, which may not sufficiently address the unique challenges of individual small businesses (OECD, 2020; Skandalakis & Nelder, 2001). In essence, digital business diagnostic tools, operating primarily online, serve as computer-based instruments enabling small business owners and managers to evaluate their performance against established standards and receive constructive feedback for strengthening their operations (OECD, 2020; Tkachenko & Pozhuieva, 2020). The evolution of these tools represents a significant advancement, providing SMEs with accessible and cost-effective means to diagnose and enhance their business performance. (Skandalakis & Nelder, 2001)

THEORETICAL FRAMEWORK

Resource-Based Theory

This study is underpinned by the Resource-Based Theory (RBT) established by Wernerfelt and Barney. Wernerfelt (1984) coined the term resource-based view of the firm, while Barney, 1991 presented and developed the core tenets of Resource-based theory (RBT). RBT emphasizes the value of a firm's internal resources in attaining a competitive advantage, contending that they are what matters (Conner, 1991; Wernerfelt, 1984). The Resource-Based Theory, designed as an economic analytical tool, supports the profit-driven philosophy of firms. According to the resource-based perspective, acquiring the necessary assets and skills may help a business compete and thrive (Yukiko, 2021). A company's performance depends on its managers' abilities and available funds (Yukiko, 2021). When applied to SMEs in Nigeria, the resources at their disposal, including human capital and managerial expertise, play a crucial role in determining how SMEs can effectively utilize business diagnostics to improve their operations and performance. Just as RBT emphasizes the strategic importance of resources, SMEs can leverage business diagnostics to identify and optimize their internal resources, making them more competitive in the market. The theory also highlights the need for efficient resource management to ensure long-term profitability, a goal that aligns with the potential outcomes of implementing business diagnostics for SMEs. In this context, managerial experience and financial resources, identified as pivotal determinants of firm success within RBT, become key elements to consider when exploring the impact of business diagnostics on SMEs in Nigeria. This study will delve into how these factors interact and influence SMEs' response to business diagnostics and, ultimately, their activities and performance.

RESEARCH METHODOLOGY

This study adopts a qualitative research methodology to explore and analyze data comprehensively. The research employed a structured open-ended questionnaire as the primary data collection instrument. The sample for this study consisted of 15 SMEs strategically chosen from a pool of SMEs participating in a specialized course at a business school. Purposive sampling was utilized to ensure that the selected SMEs had a diverse range of characteristics, contributing to the richness and depth of the data. The structured open-ended questionnaire facilitated the collection of in-depth responses, allowing participants to express their perspectives freely. The qualitative data gathered from the questionnaire responses were meticulously recorded, transcribed, and organized into meaningful themes. The thematic analysis approach was employed to identify patterns and insights within the qualitative data,

providing valuable answers to the research questions. The themes extracted from the data not only contributed to a nuanced understanding of the participants' experiences and perspectives but also formed the basis for drawing meaningful conclusions and implications from the study's findings. This qualitative approach was chosen for its ability to capture the intricacies and depth of SMEs' experiences with business diagnostics, offering a rich and contextualized exploration of the subject matter.

RESULTS

Research Question 1

How do small business owners in Nigeria perceive the concept of Business Diagnosis (BD)?
According to Interviewee A,

> *Business Diagnosis (BD) refers to the process of assessing the health and performance of a business or organization. It is a systematic process of identifying and analyzing the strengths and weaknesses of a business, as well as the opportunities and threats it faces."*

Interviewee B also had this to say:

> *"It is a process of evaluating and analyzing various aspects of a business to identify its strengths, weaknesses, opportunities, and threats."*

Another respondent (Interviewee C), however, had a deeper insight as to how BD was perceived, according to the respondent.

> *Business diagnosis is a process of working backwards to identify reasons for unsatisfactory performance by making the appropriate links between causes and effects. It means the process of gathering ideas, initiative, and strategy that helps in productivity and growth of a business."*

The perceived objectives of Business Diagnosis (BD) exhibit diversity among the SMEs included in this study. While there isn't a one-size-fits-all perspective on the goals and anticipated outcomes of BD, the variances in these perceived objectives reflect the unique challenges, priorities, and expectations that different SMEs bring to the table.

Interviewees A, B and C consider the BD to be a veritable tool for a deeper understanding of the business they do. According to one of them,

> *"I want to understand my company's strengths and weaknesses to develop strategies for success in the future."*

Another said:

> *"I wanted to understand my target audience, market, customer needs, and changes in industry trends."*

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In another vein, one of the respondents considers BD to be a tool for evaluation and retooling for business growth. According to the respondent,

> *I asked for a business diagnosis when my business wasn't doing well and was facing problems, and I wanted to make it better. I want to understand if sales are going down, fix things that are not working well, or adapt to changes in the market. If I am having money troubles or want to grow, a diagnosis can help me figure out what to do. It can also be useful when there's a new owner or if I want to make big changes. Overall, a business diagnosis helps my business find out what's wrong and how to improve business."*

This heterogeneity underscores the adaptability and customization of BD as a tool for businesses, with its objectives tailored to address specific needs and circumstances. It also highlights the significance of aligning the BD process with a business's individual goals, whether they aim to enhance operational efficiency, identify root causes of problems, stimulate growth, or foster sustainable development.

Research Question 2

What factors motivate businesses to request BD Services (BDS)?

The reasons why SME owners seek business diagnostic services are diverse and complex. The decision to use these services goes beyond just improving business operations. It involves understanding internal strengths and weaknesses, aligning with long-term visions, and adapting to market changes. SME owners are motivated by a desire to grasp market dynamics, adjust to industry shifts, and overcome operational challenges. One of the respondents had this to say about what motivated the request for a business diagnostic service.

> *"As a business owner, understanding my company's strengths and weaknesses is crucial. It's like laying out a roadmap for the future. I requested a BDS because I wanted to develop strategies that would lead to success down the line. In addition to this, I wanted to know my target audience, market trends, and what my customers need. I believe that is the first step to staying relevant and making informed decisions. Submitting my company to a business diagnostic Service is a viable way to achieve this. "*

While the need to further understand the strengths and weaknesses of the business coupled with the desire to understand customer needs motivated the demand for a BDS for interviewee A, another Interviewee, B, had other reasons for subscribing to a business diagnostic service. The respondent had this to say:

> *In today's fast-paced market, you've got to keep up with the trend. I requested a business diagnostic service to stay ahead of my competitors, understand my customers better, and know what's going on in my industry. When things aren't going well, you need to find out why. A business diagnostic helps pinpoint the issues affecting your performance, and then you can work on fixing them. It's about staying in the game and making a profit.*

Apparently, Business owners are interested in knowing the trends and patterns in their businesses and also perceive a BDS as a route to understanding the market and their customer needs. In another vein, interviewer C had this to say about what inspires a BDS.

> *When things aren't going well, you need to find out why. A business diagnostic helps pinpoint the issues affecting your performance, and then you can work on fixing them. It's about staying in the game and making a profit. In addition to this, I want my business to be active. If I want to grow or adapt to changes, I need to know where I stand. A business diagnostic is like a health check for my business – it tells me what's working and what needs fixing.*

These interview extracts highlight the diverse motivations behind businesses seeking business diagnostic services, ranging from Market Understanding and Customer Needs, Performance Improvement and Profitability, strategic planning and performance improvement to personal and professional development. Each entrepreneur brings a unique perspective, emphasizing the multifaceted role of business diagnostics in navigating the challenges of the business landscape.

Research Question 3

What impact does BD have on the operations and performance of SMEs in Lagos State?

BD has had numerous impacts on the businesses of the respondents. According to Interviewee A,

> *BD has been instrumental in identifying areas where our business can improve and spotting growth opportunities. Through a comprehensive analysis covering financial, market, operational, and organizational aspects, we gained a profound understanding of our business's health and performance. This has empowered us to measure our performance, benchmark against competitors, and focus on our strengths and opportunities.*

Beyond measuring performance and benchmarking business against competitors, SME owners perceive the impact of the BD to entail providing an understanding of customer preferences and the position of individual businesses in the market. According to Interviewer D:

> *BD played a crucial role in enhancing our understanding of our target audience and enabled us to segment our market more effectively. It provided valuable insights into customer preferences, industry trends, and market positioning. This information has been instrumental in making strategic decisions and shaping our marketing strategies.*

In the dynamic landscape of today's business environment, the role of business diagnostics (BD) cannot be overstated. For many business owners, BD has emerged as a transformative tool, akin to a compass guiding them through the complexities of the market. As regards the impact of BD on business, Interviewer E had this to say:

> *The impact of BD has been transformative, akin to taking our business to the next level. By learning from past mistakes and addressing issues that hindered our*

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> *performance, BD has significantly contributed to increasing our revenues, expanding our business, boosting profitability, and facilitating strategic partnerships and decisions.*

As the ever-evolving business landscape demands adaptability and foresight, the strategic application of business diagnostics (BD) has become a cornerstone in navigating the intricacies of financial management and operational enhancement. In this narrative, another respondent sheds light on the transformative impact of BD, elucidating its pivotal role in steering their business toward optimal funding strategies and continuous improvement. According to this respondent:

> *BD has played a significant role in guiding us to find the best ways to fund and improve our business. It has helped us identify financial issues, assess income analysis, and develop strategies for increasing revenues and profitability. In addition to these, engaging with a BD Service has further provided us with a comprehensive understanding of our business processes, systems, and staff. It has been invaluable in developing successful strategies by shedding light on our organizational structure, operational efficiency, technology utilization, and human resource management.*

In addition to this, another interviewee had this to say:

> *BD is like a treatment plan for the issues and 'diseases' that a business may suffer from. It identifies the causes and effects of unsatisfactory business performance and provides recommendations for improvement and growth.*

Overall, the impact of business diagnostics (BD) on businesses, as stated by the respondents, includes identifying areas for improvement and growth opportunities, understanding the target audience, taking the business to the next level, comprehending business processes, and making informed financial and strategic decisions.

DISCUSSION OF FINDINGS

The findings from the exploration of small business owners' perceptions of Business Diagnosis (BD) in Nigeria, as reflected in the responses to Research Question 1, reveal a diverse range of perspectives regarding the concept. According to Interviewee A, BD is characterized as a systematic process aimed at assessing the health and performance of a business or organization. This involves the identification and analysis of strengths, weaknesses, opportunities, and threats. Echoing a similar sentiment, Interviewee B describes BD as the evaluation and analysis of various aspects of a business to identify its strengths, weaknesses, opportunities, and threats. In contrast, Interviewee C provides a deeper insight, portraying BD as a process that involves working backwards to identify reasons for unsatisfactory performance, emphasizing the importance of establishing links between causes and effects. This respondent sees BD as a process that gathers ideas, initiatives, and strategies to enhance productivity and foster business growth.

The perceived objectives of BD among the SMEs in this study exhibit notable diversity. While there is no uniform perspective on the goals and anticipated outcomes of BD, the variations in these perceived objectives reflect the unique challenges, priorities, and expectations that different SMEs bring to the table. Notably, Interviewees A, B, and C view BD as a valuable tool for gaining a deeper understanding of their businesses.

Research question two investigates the motivation of SMEs to subscribe to a BDS while unraveling a complex tapestry of diverse and multifaceted reasons driving the decision-making process among SME owners in Nigeria. Beyond a mere pursuit of operational improvement, the utilization of BDS is deeply rooted in the need to comprehend internal strengths and weaknesses, align with long-term visions, and adapt to dynamic market changes. For SME owners, seeking BDS is tied to a keen desire to grasp market dynamics, adjust to industry shifts, and overcome operational challenges. One respondent encapsulates this sentiment, expressing the significance of understanding their company's strengths and weaknesses as a roadmap for the future. They sought BDS to develop strategies for long-term success, emphasizing the importance of knowing the target audience, market trends, and customer needs as a foundation for informed decision-making.

These responses from the interviewees collectively underscore the diverse motivations behind businesses seeking BDS, encompassing Market Understanding and Customer Needs, Performance Improvement and Profitability, strategic planning, and personal and professional development. The SME owners' varied perspectives highlight the multifaceted role of business diagnostics in navigating the challenges of the dynamic business landscape, emphasizing its utility as a strategic tool for addressing the evolving needs and aspirations of SMEs in Nigeria.
Responses from Research Question Three showed the impact of BD on the operations and performance of SMEs in Lagos State. Through a comprehensive analysis encompassing financial, market, operational, and organizational dimensions, the respondent highlights how BD has provided a profound understanding of the business's health and performance. This newfound clarity has empowered the business to measure its performance, benchmark against competitors, and strategically focus on strengths and opportunities.

Beyond performance measurement and benchmarking against competitors, SME owners perceive the impact of BD as extending to understanding customer preferences and their businesses' market position. Interviewer D emphasizes the crucial role of BD in enhancing their understanding of the target audience, enabling effective market segmentation, and providing valuable insights into customer preferences, industry trends, and market positioning. This information, in turn, has played a pivotal role in making strategic decisions and shaping effective marketing strategies. The transformative impact of BD on businesses is further highlighted by Interviewer E, who describes BD as taking their business to the next level. Learning from past mistakes and addressing issues hindering performance, BD has significantly contributed to increased revenues, business expansion, enhanced profitability, and the facilitation of strategic partnerships and decisions.

As the business landscape demands adaptability and foresight, the strategic application of BD emerges as a cornerstone in navigating financial complexities and operational enhancement. Another respondent sheds light on the transformative impact of BD, emphasizing its pivotal

URL: http://doi.org/10.14738/abr.121.16328

role in guiding optimal funding strategies and continuous improvement. BD has not only identified financial issues and assessed income analysis but has also contributed to a comprehensive understanding of business processes, systems, and staff. This understanding has proven invaluable in developing successful strategies by shedding light on organizational structure, operational efficiency, technology utilization, and human resource management.

The overall impact of BD, as articulated by the respondents, encompasses identifying areas for improvement and growth opportunities, understanding the target audience, elevating the business to the next level, comprehending business processes, and making informed financial and strategic decisions. This diverse range of impacts highlights the integral role of BD in fostering holistic and sustainable development for SMEs in the dynamic business environment of Lagos State.

CONCLUSION

As businesses continue to navigate dynamic challenges, BD emerges as a critical tool for fostering resilience, adaptability, and informed decision-making.

RECOMMENDATIONS

The study's findings have led to the following recommendations:

1. Tailored BD Training Programs: Data derived from BD should be utilized for the design and implementation of programmes that are suitable for helping SMEs develop resilience in business.
2. Industry Collaborations for BD Insights: The government and the SME players and actors should create opportunities that foster collaborations and peer learning among SMEs in similar industries, establishing platforms for knowledge sharing and joint BD initiatives to gain valuable insights into industry-specific challenges and opportunities.
3. Integrate BD into Support Programs: There should be an intentional Integration of BD into existing business support programs provided by government agencies, industry associations, and educational institutions, offering SMEs access to tools, training, and expert consultations for enhanced operational efficiency and strategic planning.

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