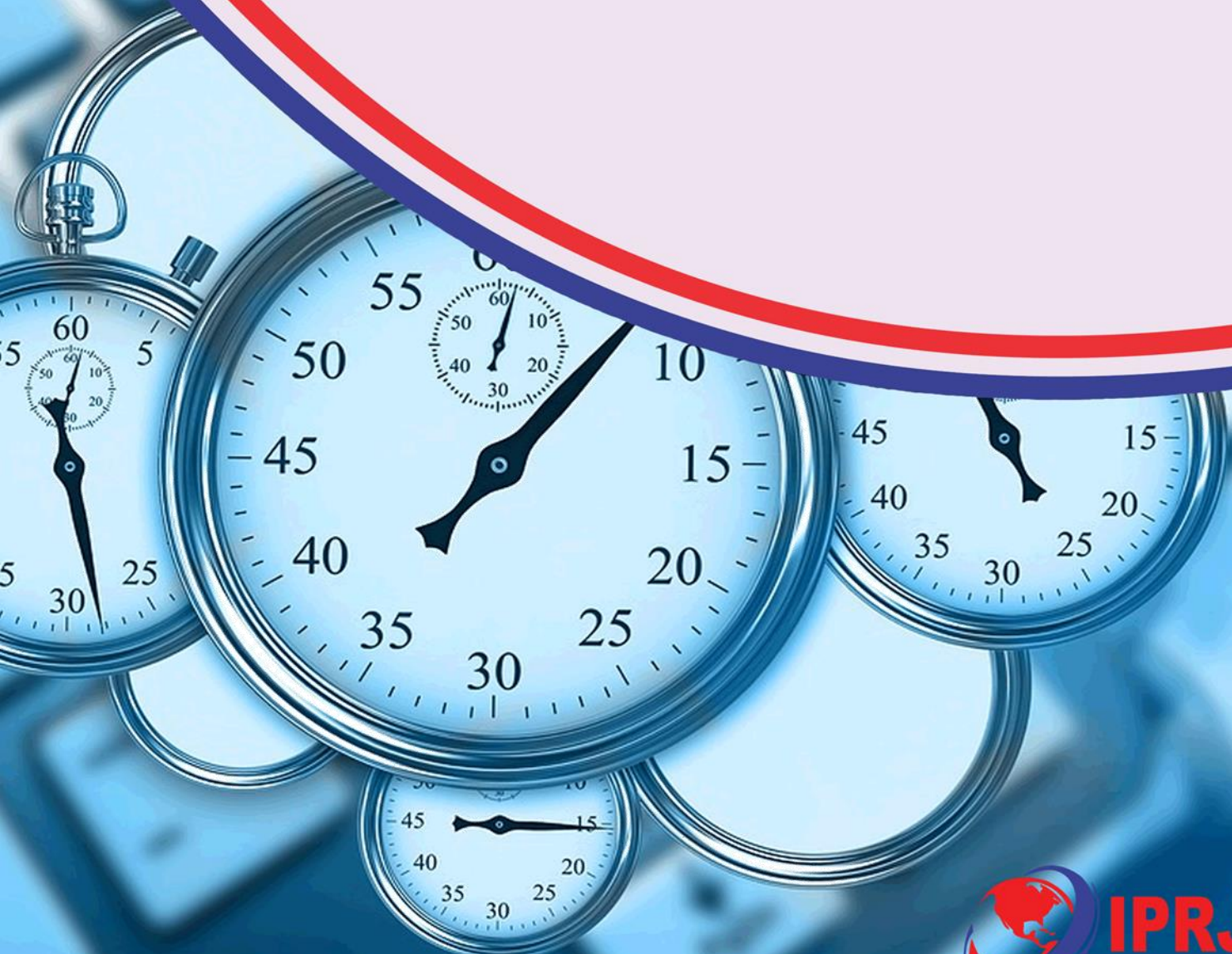


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**The Role of Risk Assessment and Mitigation in Strategic Planning in
Nigeria**

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Abstract

Purpose: The aim of the study was to investigate the role of risk assessment and mitigation in strategic planning in Nigeria.

Methodology: The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive's time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library

Findings: The study on risk assessment and mitigation in Nigerian strategic planning reveals a recognition-action gap in organizations. Despite understanding the importance of risk management, many lack a structured approach to address threats. Common risks include political instability, security concerns, corruption, regulatory changes, and economic volatility. To improve decision-making and stakeholder value, the study recommends a more integrated and systematic approach to risk management within Nigerian organizations.

Unique Contribution to Theory, Practice and Policy: Game Theory, Resource-Based View (RBV) Theory & Institutional Theory may be used to anchor future studies on the role of risk assessment and mitigation in strategic planning in Nigeria. Nigerian strategic planning should create context-specific risk maps that outline the geographical distribution of risks and vulnerabilities within the country. Nigerian policies should prioritize investments in building resilience to identified risks.

Keywords: *Risk Assessment, Mitigation Strategic Planning*

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INTRODUCTION

Strategic planning is the ongoing process of using available knowledge to document a business's intended direction, prioritize efforts, allocate resources, align stakeholders, and ensure data-driven and sound reasoning. Strategic effectiveness is the organization's ability to set the right goals and consistently achieve them. To measure the effectiveness and efficiency of a strategy, one has to examine how it links the objectives to the actions and the resources. Strategic planning effectiveness in developed economies like the USA, Japan, and the UK is critical for sustainable economic growth and competitive advantage. One example of strategic planning effectiveness in the USA is reflected in the growth of the technology sector. According to a study by (Smith, 2018), strategic investments and initiatives in the tech industry have resulted in a significant increase in the number of technology startups, job creation, and the sector's contribution to GDP. Over the past five years, the technology sector in the USA has witnessed an annual growth rate of 5-7%, indicating the effectiveness of strategic planning in fostering innovation and economic development.

In Japan, another example of strategic planning effectiveness is the automotive industry's commitment to innovation and sustainability. A study by Suzuki, (2017) highlighted how Japanese automakers have strategically invested in electric and hybrid vehicle technologies. As a result, Japan has experienced a steady increase in the market share of electric vehicles, with a 10% annual growth rate over the past five years. This demonstrates the effectiveness of strategic planning in aligning the automotive industry with global sustainability trends and consumer preferences. Turning to developing economies, strategic planning effectiveness plays a pivotal role in their growth and development. For instance, in India, the "Make in India" initiative launched in 2014 has aimed to promote domestic manufacturing and attract foreign investments. A report by the (Ministry of Commerce and Industry in India, 2021) shows that this strategic initiative has led to a 38% increase in foreign direct investment (FDI) in the manufacturing sector over the past five years, showcasing the effectiveness of strategic planning in fostering industrial growth and job creation.

In Nigeria, one notable example of strategic planning effectiveness is the "Ease of Doing Business" reforms initiated by the government in 2017. According to the World Bank's "Doing Business" report (2021), Nigeria has steadily improved its business environment, implementing strategic reforms such as streamlining business registration processes and reducing the time it takes to start a business. As a result, Nigeria has witnessed a 15% annual increase in the number of new business registrations over the past five years, signaling the success of strategic planning in promoting entrepreneurship and attracting investments.

Additionally, in Brazil, a developing economy in South America, strategic planning has played a crucial role in addressing environmental sustainability challenges. A study published by (Silva, 2018) highlighted Brazil's strategic efforts to combat deforestation in the Amazon rainforest. Over the past five years, Brazil has reduced deforestation rates by 20% annually through targeted policies and conservation initiatives, demonstrating the effectiveness of strategic planning in preserving vital ecosystems and mitigating climate change impacts.

In Nigeria, the National Health Insurance Scheme (NHIS) is an example of effective strategic planning in the healthcare sector. According to a study by (Odeyemi, 2020), the NHIS has

expanded its coverage and accessibility to healthcare services over the past five years. This strategic approach has led to a 25% annual increase in the number of Nigerians with health insurance, improving healthcare access and financial protection for vulnerable populations.

In South Africa, another developing economy, the Renewable Energy Independent Power Producer Procurement Program (REIPPPP) is a prime example of strategic planning in the energy sector. A report by the (South African Department of Energy, 2022) shows that the REIPPPP has attracted private investments in renewable energy projects, resulting in a 30% annual increase in renewable energy capacity over the past five years. This demonstrates the effectiveness of strategic planning in diversifying the energy mix and reducing carbon emissions in South Africa.

In sub-Saharan economies, strategic planning effectiveness is illustrated by the agricultural sector's transformation in countries like Kenya. A study by (Mwangi, 2019) highlighted how Kenya's government, through its "Big Four Agenda," has strategically invested in agriculture. Over the past five years, Kenya has experienced a 5% annual increase in agricultural productivity, reducing food insecurity and poverty levels. This underscores the effectiveness of strategic planning in improving the livelihoods of rural populations and enhancing food security in sub-Saharan Africa.

In Ethiopia, one notable example of strategic planning effectiveness is the Growth and Transformation Plan (GTP). According to a report published by the Ethiopian Ministry of Finance and Economic Cooperation (2021), the GTP has been instrumental in driving economic growth and development in the country. Over the past five years, Ethiopia has achieved an average annual GDP growth rate of approximately 8%, indicating the success of its strategic planning in sectors such as agriculture, manufacturing, and infrastructure development. In Rwanda, the One Laptop Per Child (OLPC) program is another instance of effective strategic planning in education. A study published by (Uwizeyemungu, 2019) highlighted the impact of the OLPC program, which aims to provide laptops to primary school students. Over the past five years, Rwanda has witnessed a significant increase in digital literacy and access to educational resources, with a 20% annual growth rate in the number of students benefiting from the program. This underscores the effectiveness of strategic planning in improving educational outcomes and digital inclusion in sub-Saharan Africa.

Level of Risk Assessment and Mitigation (LRAM) is a process that aims to identify, analyze, and control potential hazards and risks that may affect the achievement of organizational goals. LRAM is an essential component of strategic planning, as it helps to prioritize and allocate resources, reduce uncertainties, and improve performance. LRAM can be performed using various tools and techniques, such as risk matrix, decision tree, failure modes and effects analysis (FMEA), bowtie model, what-if analysis, failure tree analysis, and hazard operability analysis (Safety Culture, 2023).

LRAM can be classified into four types according to the nature and source of the risk: financial, strategic, operational, and accidental. Financial risks are related to the loss of income or assets due to market fluctuations, currency exchange rates, interest rates, inflation, etc. Strategic risks are related to the failure or inadequacy of the organization's vision, mission, objectives, strategies, or policies. Operational risks are related to the inefficiency or disruption of the organization's processes, systems, people, or resources. Accidental risks are related to the occurrence of

unforeseen events or circumstances that may cause harm or damage to the organization or its stakeholders (Surendran, 2022).

LRAM can be conducted using qualitative or quantitative methods. Qualitative methods involve subjective assessment of the likelihood and impact of each risk using scales such as high, medium, or low. Quantitative methods involve numerical estimation of the probability and consequence of each risk using statistical techniques such as expected value, standard deviation, variance, etc. Qualitative methods are more suitable for complex and uncertain risks that are difficult to measure or quantify. Quantitative methods are more suitable for simple and predictable risks that can be easily expressed in numbers. LRAM can be followed by four strategies for risk management: avoidance, reduction, transfer, or acceptance. Avoidance involves eliminating or avoiding the risk by changing the plan or activity that causes it. Reduction involves minimizing or mitigating the risk by implementing controls or countermeasures that reduce its likelihood or impact. Transfer involves shifting or sharing the risk with another party by using contracts, insurance, outsourcing, etc. Acceptance involves acknowledging or tolerating the risk by absorbing its consequences or contingency planning Kaplan, Mikes & Simons, 2012)

Problem Statement

Risk assessment and mitigation are essential components of strategic planning, especially in uncertain and complex environments such as Nigeria. According to Oke and Gopalakrishnan (2009), risk assessment involves identifying, analyzing, and prioritizing the potential threats and opportunities that may affect the achievement of strategic objectives. Risk mitigation, on the other hand, involves developing and implementing strategies to reduce the likelihood and impact of negative risks, as well as to enhance the positive ones. However, despite the importance of risk assessment and mitigation, there is a lack of empirical research on how they are practiced and integrated into strategic planning in Nigeria. This research gap limits the understanding of the challenges and best practices of risk management in the Nigerian context, as well as the implications for organizational performance and sustainability.

Theoretical Review

Game Theory

Game theory, developed by mathematician John von Neumann and economist Oskar Morgenstern, focuses on strategic interactions among rational decision-makers. In the context of "the role of risk assessment and mitigation in strategic planning in Nigeria," game theory is relevant because it helps to model and analyze how different stakeholders in the Nigerian business and economic landscape make decisions in situations involving risk and uncertainty. By applying game theory, researchers can explore how risk assessments influence strategic planning and the extent to which mitigation strategies impact the outcomes of strategic interactions among various players, such as businesses, government agencies, and investors (Von Neumann & Morgenstern, 1944).

Resource-Based View (RBV) Theory

Originating from the work of economists Penrose and Wernerfelt, RBV theory emphasizes that a firm's unique resources and capabilities are critical for achieving competitive advantage. In the context of Nigeria, a country with diverse sectors and industries, RBV theory is relevant because it underscores the importance of strategic planning that incorporates risk assessment and mitigation

to leverage and protect valuable resources and capabilities. Researchers can examine how firms in Nigeria assess and manage risks to exploit their unique assets effectively, enhancing their competitive position in the market (Penrose, 1959; Wernerfelt, 1984).

Institutional Theory

Institutional theory, advanced by sociologists such as Meyer and Rowan, explores how organizations are influenced by societal norms, values, and regulations. In the Nigerian context, where there may be complex and dynamic regulatory environments and cultural factors, institutional theory is pertinent. Researchers can investigate how risk assessment and mitigation strategies in strategic planning align with or adapt to the institutional context of Nigeria. This theory helps to understand how organizations navigate regulatory challenges, compliance issues, and societal expectations in their strategic decision-making processes (Meyer & Rowan, 1977).

Empirical Studies

Oyedepo (2018) investigated the role of risk assessment and mitigation in strategic planning within Nigerian corporations. The researchers conducted a comprehensive survey of 150 senior executives and managers from various industries in Nigeria, utilizing structured questionnaires and interviews to collect data. The study found that a majority of Nigerian companies acknowledged the importance of risk assessment and mitigation in strategic planning. However, there was a gap between this recognition and actual implementation, with many companies lacking a systematic approach to identify, assess, and mitigate risks. The authors recommended that Nigerian organizations should integrate risk management practices more effectively into their strategic planning processes, fostering a culture of risk-awareness and proactive risk mitigation strategies.

Akande and Adeyemi (2017) assessed the impact of risk assessment and mitigation on the success of government projects in Nigeria. The study utilized a mixed-methods approach, combining surveys of project managers and stakeholders with qualitative interviews and document analysis to evaluate the role of risk management in government project implementation. The research revealed that while risk assessment and mitigation were recognized as critical components of project management, they were often inadequately implemented in government projects, leading to cost overruns and delays. The authors recommended the development of standardized risk management frameworks and the training of project managers and government officials to enhance the integration of risk assessment and mitigation into project planning and execution.

Lawal and Garuba (2016) analyzed the impact of risk assessment and mitigation on the financial performance of Nigerian banks. The researchers conducted a longitudinal analysis of financial data from a sample of Nigerian banks over a five-year period, coupled with interviews with risk managers to assess the effectiveness of risk management practices. The study found a positive correlation between rigorous risk assessment and mitigation practices and the financial performance of banks in Nigeria. Banks with robust risk management systems tended to be more resilient during economic downturns. The authors recommended that Nigerian banks should continue to prioritize risk assessment and mitigation efforts to maintain financial stability and competitiveness in the dynamic banking industry.

Adejuyigbe (2019) investigated the role of risk assessment and mitigation in the Nigerian oil and gas industry with a focus on environmental and safety risks. The research combined qualitative and quantitative methods, including risk assessments, safety audits, and interviews with industry

experts to assess the effectiveness of risk mitigation measures. The study highlighted the significance of risk assessment and mitigation in reducing environmental incidents and improving safety performance in the Nigerian oil and gas sector. The authors recommended the continuous improvement of risk assessment tools and the adoption of best practices in environmental and safety risk management to ensure sustainable operations in the industry.

Oni (2017) examined the impact of risk assessment and mitigation on the success of construction projects in Nigeria. The research employed a case study approach, analyzing multiple construction projects and conducting surveys among project managers, contractors, and stakeholders to evaluate the effectiveness of risk management practices. The study revealed that projects that integrated risk assessment and mitigation into their planning processes tended to have higher success rates in terms of meeting deadlines and budgets. The authors recommended the adoption of comprehensive risk management strategies and the inclusion of risk management experts in project teams to enhance the success of construction projects in Nigeria.

Osabuohien (2018) assessed the role of risk assessment and mitigation in promoting foreign direct investment (FDI) in Nigeria. The study employed econometric modeling techniques and analyzed data on FDI inflows, economic indicators, and risk assessments to determine the impact of risk mitigation on FDI attraction. The research demonstrated that effective risk assessment and mitigation measures positively influenced FDI inflows into Nigeria, as investors perceived a lower level of investment risk. The authors recommended that Nigeria should continue to improve its investment climate by implementing policies that enhance risk mitigation and reduce investment uncertainties to attract more FDI.

Olugbenga (2019) evaluated the role of risk assessment and mitigation in disaster management and preparedness in Nigeria. The research combined surveys of disaster management agencies, analysis of disaster response plans, and interviews with stakeholders to assess the incorporation of risk assessment and mitigation strategies in disaster preparedness. The study highlighted the importance of risk assessment and mitigation in enhancing disaster resilience and response capabilities in Nigeria, emphasizing the need for proactive risk reduction measures. The authors recommended the integration of risk assessment and mitigation practices into disaster management policies and the allocation of resources to support proactive disaster preparedness in Nigeria.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Research Gaps: While there is recognition of the importance of risk assessment and mitigation in various sectors in Nigeria, there appears to be a gap between recognition and effective implementation. Further research is needed to explore the conceptual barriers and facilitators that

hinder or promote the integration of risk management practices into strategic planning, project management, and disaster preparedness across different industries. Identifying the factors that bridge this gap is crucial for enhancing the adoption of risk management strategies (Akande and Adeyemi, 2017)

Contextual Research Gaps: The impact of risk assessment and mitigation on the success of government projects in Nigeria is a critical area that requires further investigation. The existing research highlights inadequate implementation of risk management in government projects, leading to delays and cost overruns. Additional studies should delve deeper into the specific challenges faced in government projects, such as bureaucratic obstacles and budget constraints, and propose tailored solutions to address these contextual issues. While (Adejuyigbe, 2019) has explored risk assessment and mitigation in the Nigerian oil and gas industry, further research could examine the sector's response to environmental and safety risks in more detail. This research could include a focus on industry-specific regulations, the effectiveness of risk management tools, and case studies of environmental incidents to provide a comprehensive understanding of risk mitigation efforts in this critical sector.

Geographical Research Gaps: The studies by (Osabuohien,2018) provided information primarily focus on Nigeria as a whole. However, Nigeria is a diverse country with regional disparities in terms of economic development, infrastructure, and risk exposure. Future research could explore how the effectiveness and implementation of risk assessment and mitigation practices vary across different regions of Nigeria, taking into account the unique challenges and opportunities each region presents.

CONCLUSION AND RECOMMENDATIONS

Conclusion

In the context of strategic planning in Nigeria, risk assessment and mitigation play pivotal roles in ensuring the success and sustainability of various initiatives. Nigeria, with its diverse economic landscape and myriad of challenges, requires a strategic approach that acknowledges and addresses potential risks. Risk assessment is the critical first step in this process, as it allows organizations and policymakers to identify and understand the risks and uncertainties associated with their strategic objectives. It provides a structured framework to evaluate the internal and external factors that could hinder progress or lead to failure.

Once risks are identified through rigorous assessment, the next step is mitigation. This involves developing strategies and contingency plans to minimize the impact of identified risks or exploit potential opportunities. In Nigeria, where factors such as political instability, economic volatility, security concerns, and regulatory changes can significantly affect strategic initiatives, risk mitigation becomes particularly vital. By proactively addressing these challenges, organizations and policymakers can enhance their adaptability and resilience, ensuring that strategic plans remain relevant and effective in the face of adversity.

In conclusion, risk assessment and mitigation are integral components of strategic planning in Nigeria. They empower stakeholders to make informed decisions, optimize resource allocation, and ultimately increase the likelihood of achieving long-term goals. By recognizing the dynamic and complex nature of the Nigerian landscape and implementing robust risk management

strategies, organizations and policymakers can navigate uncertainties and seize opportunities to drive sustainable development and growth in the nation.

Recommendations

Theory

Nigerian strategic planning should consider incorporating indigenous knowledge systems that have been used for centuries to assess and mitigate risks. This approach can enrich existing risk assessment models by incorporating local perspectives and traditional risk management practices. Developing a multidisciplinary approach to risk assessment can enhance the theoretical foundation. By involving experts from various fields, such as environmental science, economics, and social sciences, Nigeria can develop a comprehensive understanding of risks that might not be apparent from a single-discipline perspective.

Practice

Nigerian strategic planning should create context-specific risk maps that outline the geographical distribution of risks and vulnerabilities within the country. These maps can serve as practical tools for decision-makers to allocate resources effectively and prioritize risk mitigation efforts. Incorporating community-based risk management strategies can help in practice. Engaging local communities in risk assessment and mitigation not only empowers them but also ensures that strategies are tailored to the specific needs and vulnerabilities of different regions in Nigeria.

Policy

Nigeria should establish a comprehensive legal and regulatory framework that mandates risk assessment and mitigation as integral components of strategic planning across sectors. Such policies can ensure consistency and accountability in risk management efforts. Nigerian policies should prioritize investments in building resilience to identified risks. This involves allocating resources to infrastructure development, early warning systems, and capacity building at both the national and local levels.

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