

Labour Relations and Business Sustainability in Small and Medium Enterprises: Evidence from Kwara State, Nigeria

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Abstract

Small and Medium Enterprises (SMEs) play a significant role in employment, poverty alleviation, innovations and economic development in Nigeria but many are still facing sustainability problems associated with poor internal management practices. The overall effects of labour relations on business sustainability of SMEs in Kwara State, Nigeria was explored. The issue was that most SMEs do not pay much attention to workplace communication, employee participation, conflict resolution and employer/employee relationships as factors that contribute to long-term success and survival, and they do pay attention to financial issues, infrastructure and market competition. The study is important as it offers empirical evidence that can help owners, managers, labour practitioners and policy makers in enhancing stability and continuity in the workplace of SMEs. A descriptive survey research design was used. Information was gathered using structured questionnaires filled by the owners, managers, supervisors and employees of the selected SMEs. A total of 300 questionnaires were sent out and 284 valid responses were analyzed in SPSS. Descriptive statistics and multiple regression analysis were used. The findings revealed that the communication between the employer and the employee ($\beta = 0.286$, $t = 5.447$, $p = 0.000$), employee participation ($\beta = 0.194$, $t = 3.986$, $p = 0.000$), conflict resolution mechanism ($\beta = 0.247$, $t = 4.912$, $p = 0.000$), and employer-employee relationship ($\beta = 0.312$, $t = 6.104$, $p = 0.000$) had significant influence on business sustainability. The model explained 61.0% of the variation in business sustainability ($R^2 = 0.610$; $F = 109.440$, $p = 0.000$). It was found that labour relations play a strategic role in the sustainability of SMEs. It called for better communication, employee participation, a fair dispute resolution process and better relationships between employers and employees.

Keywords: Labour Relations, Business Sustainability, SMEs, Employee Participation, Conflict Resolution, Kwara State

INTRODUCTION

Small and Medium Enterprises (SMEs) are an important component of economic development, employment generation, poverty reduction and innovation in developed and developing economies. SMEs are the backbone of the economy in Nigeria as they make up about 96.9% of businesses, contribute 46.32% to Gross Domestic Product (GDP) and generate 87.9% jobs (PwC, 2024). Despite the vital role they play, many SMEs have ongoing difficulties in survival, growth and sustainability. Although financial constraints, infrastructure deficits and market uncertainties have been seen as the barriers for SME sustainability, more attention is being paid to the internal organizational factors, especially the labour relations.

Labour relations are the relationship and interaction between the employer and employee in the workplace. Such connections include communication, employee involvement, conflict resolution, trust in the workplace, and avenues for addressing employment-related matters. Good labour relations are essential for workplace harmony, employee commitment, productivity and organizational performance, while poor labour relations can cause conflicts in the workplace, absenteeism, labour turnover, low employee morale and reduced organizational effectiveness. Current human resource management literature has begun to acknowledge that employees are strategic assets, and that their attitudes and behaviors can have a significant impact on the sustainability and competitiveness of organizations.

The sustainability of a business has gone beyond profitability, into the ability of organisations to sustain their economic viability, social responsibility, workforce stability and adaptability in the changing business environments. Sustainability is a major concern for SMEs as they are likely to have fewer resources at their disposal and to be more affected by operational disruptions than larger organizations. In recent years, there have been studies suggesting that, in addition to financial management and market positioning, human resource and workplace relationship management is essential to sustainable business performance.

The increasing focus on decent work and sustainable employment practices also emphasizes the significance of labour relations in achieving organizational sustainability. The International Labour Organization (ILO) states that productive employment, social dialogue, workplace cooperation and fair employment relationships are vital pillars for enterprise development and sustainable success of organizations. A positive workplace culture is more likely to lead to employee engagement, productivity improvement, and operational resilience in organizations.

While prior works have studied the factors that affect the sustainability of SMEs, most of the literature discussed only the financial performance, innovation, entrepreneurship, CSR and strategic management. Similarly, research on labour relations has focused mainly on large organizations and public sector institutions. Specific evidence of the relationship between labour relations and business sustainability in SMEs is still relatively scarce in developing economies like Nigeria. In addition, existing research generally focuses on one dimension of labour relations without exploring the issues of communication, employee participation, conflict resolution processes, and the relationship between the employer and employee in a holistic manner.

In Kwara State, SMEs are still struggling with the issues of employee retention, productivities, and stability of the organization and continuity of business. Most business units have non-regular work arrangements and weak HRM systems which may lead to labour problems. In these contexts, the nature of the labour relations could be a key factor in the success or failure of businesses in terms of sustainable growth and long-term survival. However, empirical research on labour relations and business sustainability of SMEs in Kwara State is limited.

In this context, this study examines the impact of labour relations on business sustainability of SMEs in Kwara State, Nigeria. In particular, the study focuses on the impact of communication between employer and employee, employee involvement in decision making, conflict management and employer-employee relations on business sustainability. This study adds to the growing literature on SME sustainability and offers practical insights for SME owners, managers, policy makers and labour practitioners who want to enhance organizational sustainability through good labour relations practice.

Statement of the Problem

Small and Medium Enterprises (SMEs) is a key contributor to job creation and economic development in Nigeria. However, many SMEs are unable to be sustainable in the long-run due to a number of issues including low productivity, employee turnover, conflict in the workplace and poor organizational stability. Although the previous studies have mainly emphasized on the financial, technological, market factors affecting the sustainability of SMEs, few studies have paid attention to the role of labour relations. Poor communication, low levels of employee involvement, poor conflict resolution and poor employer – employee relations can have a negative impact on employee commitment and organizational performance. While there is some empirical evidence of the effect of labour relations on business sustainability among SMEs, such evidence is scarce in Kwara State, Nigeria. The study therefore investigates the impact of labour relations on business sustainability of SMEs in Kwara State.

Aim and Objectives

The overall aim of this study is to investigate the impact of labour relations on business sustainability of the Small and Medium Enterprises (SMEs) in Kwara State, Nigeria. Specific Objectives include:

1. Investigate the impact of employer-employee communication on business sustainability of SMEs in Kwara State.
2. Assess the effect of employee's participation in decision making on business sustainability of SMEs in Kwara State.
3. Evaluate the impact of conflict resolution mechanism on business sustainability amongst SMEs in Kwara State.
4. Assess the impact of employer-employee relationship on the sustainability of business in SMEs in Kwara State.
5. Investigate the effect of labour relations dimensions (employer-employee communication, employee participation, conflict resolution mechanism and employer-employee relationship) on business sustainability of SMEs in Kwara State.

Research Hypotheses

H₀₁: Employer-employee communication has no significant effect on business sustainability among SMEs in Kwara State.

H₀₂: Employee participation in decision-making has no significant effect on business sustainability among SMEs in Kwara State.

H₀₃: Conflict resolution mechanisms have no significant effect on business sustainability among SMEs in Kwara State.

H₀₄: Employer-employee relationship has no significant effect on business sustainability among SMEs in Kwara State.

H₀₅: Labour relations dimensions jointly have no significant effect on business sustainability among SMEs in Kwara State.

2. LITERATURE REVIEW

2.1 Labour Relations in SMEs

Labour relations involve the communication, participation, conflict management, employee welfare and employment expectations between the employer and employee. Labour relations are less formal in SMEs than in larger organizations, but are still significant as owners, managers and employees tend to have close relationships. Well-managed labour relations led to greater employee commitment, cooperation and loyalty. However, poor labour relations could lead to dissatisfaction, conflict, absenteeism, turnover and poor organizational performance. Recent studies show that employee-related practices are important to SME sustainability. According to Belas et al. (2024), HRM practices play a role in achieving sustainable business results for SMEs, while Gittell et al. (2025) highlighted that sustainable HRM practices enhance the resilience and commitment of small and medium-sized business employees.

2.2 Dimensions of Labour Relations

Communication between the employer and employee is an important component of labour relations. Effective communication assists employees to know the objectives of the organization, the expectations they are required to meet and the management decisions made. Open communication minimizes miscommunication and enhances coordination in SMEs, where formal structures might be less extensive.

Another dimension of employee participation in decision making is important. Consultation and participation of employees helps them to feel a sense of ownership and commitment. Access can also help innovation and problem solving, particularly in SMEs where workers are likely to know the daily problems in the working environment.

Labour relations also rely on conflict resolution processes. Conflict in the workplace can occur due to workload, pay, working conditions, unfair treatment, and communication. When conflicts are dealt with quickly and reasonably, SMEs can better keep the peace, productivity, and employees within the workplace. Social dialogue and cooperation at the workplace are recognized as key factors in stable and sustainable enterprise development (ILO, 2024).

Employer-employee relationship is the degree of trust, fairness, respect and cooperation that exist between management and employees. Good working relationships can support employee retention and boost business continuity, as poor working relationships can undermine employee morale and continuity.

2.3 Business Sustainability in SMEs

Business sustainability is the capacity of a business to continue to exist and thrive in the long term, to compete with other businesses, to attract and keep staff, to operate, and to adjust to changes in the environment. Sustainability is particularly relevant for SMEs as they are frequently resource constrained in terms of financial, human and technological resources. This puts them at a higher risk of facing market fluctuations, staff attrition, inadequate management practices, and downtime. SMEs play a pivotal role in the development of a country, particularly Nigeria. According to PwC (2024), MSMEs make up 96.9% of businesses, 87.9% of employment and 46.32% of GDP in Nigeria. This demonstrates that sustainability of SMEs matters to the business owner, as well as job creation and national economic development.

2.4 Labour Relations and Business Sustainability

Labour relations can impact business sustainability as employees have a direct impact on productivity, customer service, innovation and day to day operations. Communication can help to increase coordination and decrease misunderstanding in the workplace. Commitment and valuable ideas can be achieved through employee participation. Conflict resolution processes can help to keep conflict from having a negative

impact on productivity. Having good working relationships between employers and employees can help to increase loyalty, retention and stability within the organization. This link has been recently confirmed. Belas et al. (2024) determined that the factors related to HRM affect SME sustainability, and Gittell et al. (2025) concluded that the sustainable HRM practices are related to the resilience and employee commitment in SMEs. These studies indicate that sustainability is not just about finance or technology or access to markets; it's also about the way businesses treat their employees and workplace relationships.

2.5 Theoretical Framework

The study is based on the Social Exchange Theory. The theory is about a two-way street between employer and employee in the workplace. Employees are likely to be loyal, committed and perform better when they are treated fairly, supported, respected and involved by employers. The theory is applicable in this study because labour relations are based on interactions of exchange between the owner, manager and employees of SMEs. Good communication, staff engagement, equitable conflict resolution, and good employer-employee relations can foster a more positive contribution by employees to business performance and sustainability.

2.6 Empirical Gap

While previous research has explored SME sustainability and practices relating to employees, a number of studies are general in their scope, covering human resource management, corporate social responsibility, financial or strategic management. There are fewer studies that focus on labour relations as a particular predicting factor for business sustainability. Moreover, research in labour relations tends to be carried out in large organisations, public institutions or formal unionised workplaces, and SMEs are under-researched. This study makes a contribution towards resolving the issues by investigating the dimensions of labour relations (employer-employee communication, employee participation, conflict resolution mechanisms and relationship between employers and employees) and their impact on business sustainability of SMEs in Kwara state of Nigeria.

3. METHODOLOGY

3.1 Research Design

The descriptive survey research design was used in this study which sought to investigate the relationship between labour relations and business sustainability for Small and Medium Enterprises (SMEs) in Kwara State, Nigeria. The survey design was appropriate because it allowed quantitative data to be gathered from the respondents about the practices of labour relations and the sustainability of the business. The design also allowed for the analysis of relationships between the studies variables.

3.2 Population and Sample

The population of the study were owners, managers, supervisors and workers of selected SMEs in Kwara State. The sample size used was approximately 300 respondents based on the Yamane's formula for sample size (1967). The formula is represented as:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = sample size, N = population size e = level of precision (0.05)

3.3 Sampling Technique

A multi-stage sampling technique was used. Using purposive sampling, the initial selection of SMEs took place to ensure that the respondents had a minimum of three years' experience of operating an SME, which

was considered to provide them with sufficient knowledge of workplace relations and organisational practice. Thereafter, stratified sampling was used to classify respondents into owners/managers, supervisors, and employees. A simple random sampling method was then used to draw samples from each category.

3.4 Data Collection Instrument

A structured questionnaire was prepared based on the literature review on labour relations and business sustainability, to gather primary data. The questionnaire consisted of two sections. Section A collected the demographic characteristics of the respondents, and Section B collected data on employer-employee communication, employee participation in decision making, conflict resolution mechanisms, employer-employee relationship, and business sustainability. A five-point Likert scale was used to measure responses (Strongly Agree = 5; and Strongly Disagree = 1).

3.5 Validity and Reliability

Face and content validity of the questionnaire was done by experts in the field of Industrial Relations and Human Resource Management. Observations and recommendations made by them were used to refine the final instrument. Cronbach's alpha coefficient was used to test the reliability of the instrument. Reliability coefficients for all constructs were above the recommended level of 0.70, which means that the instrument has good internal consistency and reliability.

3.6 Data Collection Procedure

Questionnaires were personally completed by the respondents, with the help of trained research assistants. The 300 questionnaires were sent out, and 284 were returned with a response rate of 94.7%. The retrieved questionnaires were checked, coded and ready for statistical analysis.

3.7 Measurement of Variables

Labour relations was the independent variable and was assessed on four dimensions, namely, employer-employee communication, employee participation in decision-making, conflict resolution mechanisms, and employer-employee relationships. Business sustainability was the dependent variable and the indicators were related to organizational continuity, employee retention, growth, productivity, and long-term survival.

3.8 Method of Data Analysis

The Statistical Package for Social Sciences (SPSS) Version 26 was used to analyze the data. Data on respondents' characteristics and study variables were summarized using descriptive statistics, such as frequencies, percentages, means, and standard deviations. To test the study hypotheses at 5% level of significance, multiple regression analysis was used to analyze the impact of labour relations on business sustainability. The regression model estimated was:

$$BS = \beta_o + \beta_1 EEC + \beta_2 EPD + \beta_3 CRM + \beta_4 EER + \varepsilon$$

Where:

BS = Business Sustainability

EEC = Employer-Employee Communication

EPD = Employee Participation in Decision-Making

CRM = Conflict Resolution Mechanisms

EER = Employer-Employee Relationship

β_0 = Constant Term

β_1 - β_4 = Regression Coefficients

ε = Error Term

3.9 Ethical Considerations

All ethical standards were adhered to during the study. All the respondents were informed that participation was voluntary and gave their informed consent before the data were collected. Confidentiality and anonymity were ensured and the information collected was only used for academic purposes. The participants were also told that they could drop out of the study at any time without any repercussions.

4. DISCUSSION OF FINDINGS

Response Rate

The study distributed 300 questionnaires to the respondents who were selected among the selected SMEs in Kwara State. Of these 284 valid responses, 16 questionnaires (5.3%) were not returned or invalid. The response rate was satisfactory for analysis as it was sufficiently high to allow inferences to be made from the sample respondents. A high response rate (Figure 1) also helps to make survey-based studies more credible by minimizing non-response bias.

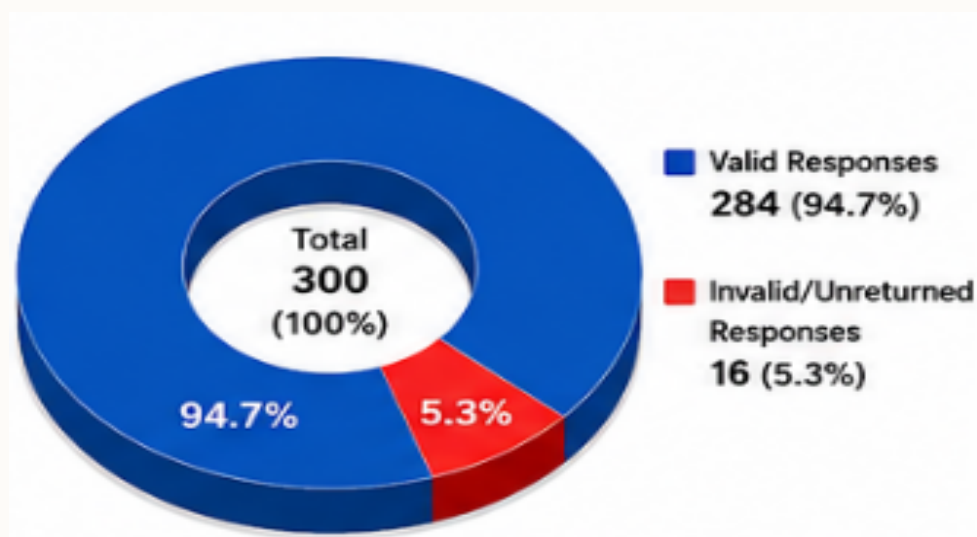


Figure 1: Response Rate

Demographic Information

The results of the demographic survey (Figure 2) indicated that 158 respondents (55.6%) were male, and 126 respondents (44.4%) were female. This suggests that both male and female respondents were represented in the study. The largest age group was 26–35-year-olds (109 (38.4%)) and the next largest group was 36–45-year-olds (78 (27.5%)). This suggests that the majority of the respondents were within the 'active working-age' and would have had relevant experience in workplace relations at SME. In respect of education, 53.2% (151) of the respondents had HND or Bachelor's degree qualifications and 30.6% (87) of the respondents had SSCE, OND, or NCE qualifications. This means that the quantity of respondents who had enough educational level to comprehend the questions of the questionnaire was high. The group with the most responses (59.5%) were employees, followed by owners/managers with 22.5% and supervisors with 18.0%. This distribution was appropriate as employees are all directly impacted by labour relations and owners, managers and supervisors provide managerial views on business sustainability.

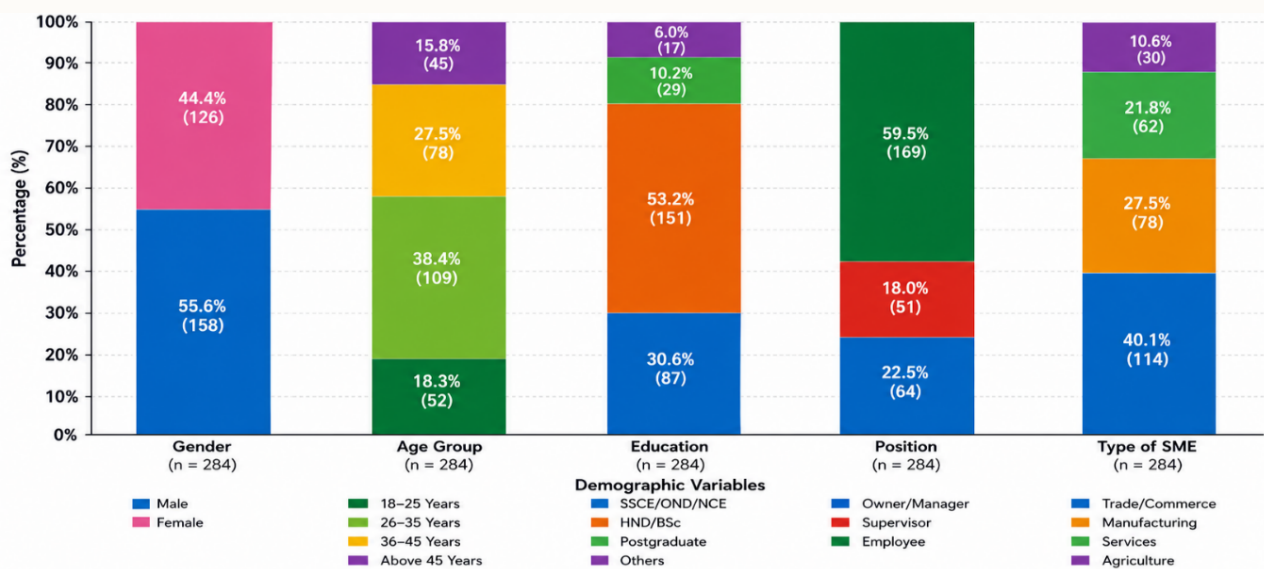


Figure 2: Demographic Information of Respondents

Objective 1: Employer-Employee Communication and Business Sustainability

The impact of employer-employee communication on the sustainability of SMEs in Kwara State was the focus of objective one. The descriptive result revealed that the grand mean was 3.84 with a standard deviation of 0.83, which means that respondents agreed that communication contributes to SME sustainability. The regression results further revealed that the communication between the employer and the employee had a positive significant effect on business sustainability, $\beta = 0.286$, $t = 5.447$, $p = 0.000$. This discovery suggests that effective communication between employers and employees creates better cooperation in the workplace, less misunderstandings and helps business continuity. Communication is especially critical in SMEs as many of these companies have an informal organizational structure in which workers rely directly on the owners and managers for instructions, feedback and clarification. The study's findings (Fig 3) align with that of Belas et al. (2024) which revealed that human resource management practices have significant influence on the sustainability of SMEs. It also backs the International Labour Organization's (ILO) stance on sustainable enterprise development, which places workplace cooperation and social dialogue at its heart.

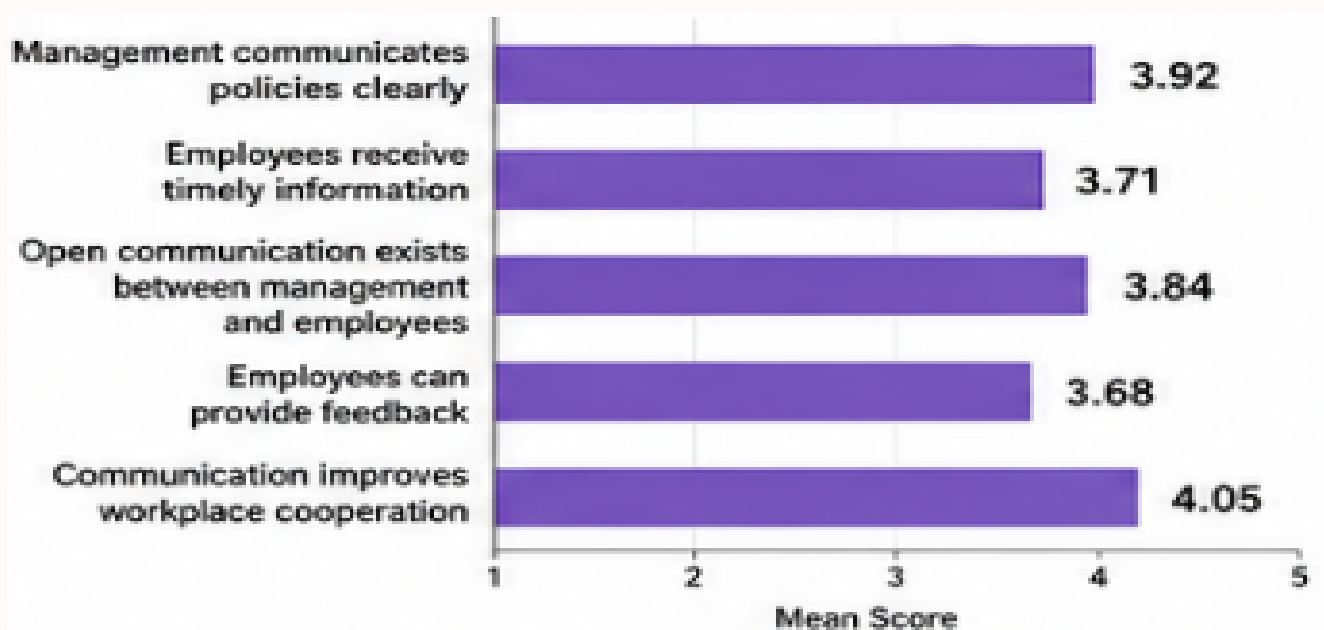


Figure 3: Effect of Employee-Employer Communication

Objective 2: Employee Participation and Business Sustainability

Objective two identified the effect of employee involvement in decision making on the sustainability of the business (Fig 4). The descriptive result revealed the grand mean of 3.64 and the standard deviation of 0.87 which showed that the respondent agreed that employee participation is an important factor for sustainability of SMEs. The regression result showed that it was significantly positive with the value of $\beta = 0.194$, $t = 3.986$, $p = 0.000$. Even if employee participation was the least significant of the four labour relations dimensions, it is still statistically significant and had an impact on business sustainability. This indicates that when employees are engaged in decision-making, they feel committed, own the decision, and cooperate. In SMEs, employees have first-hand knowledge of daily issues and customer related issues, and their participation can lead to enhanced problem solving and organizational performance. This is in line with the finding of Gittell et al. (2025) that sustainable human resource management practices promote employee commitment and organizational resilience in small and medium-sized enterprises.

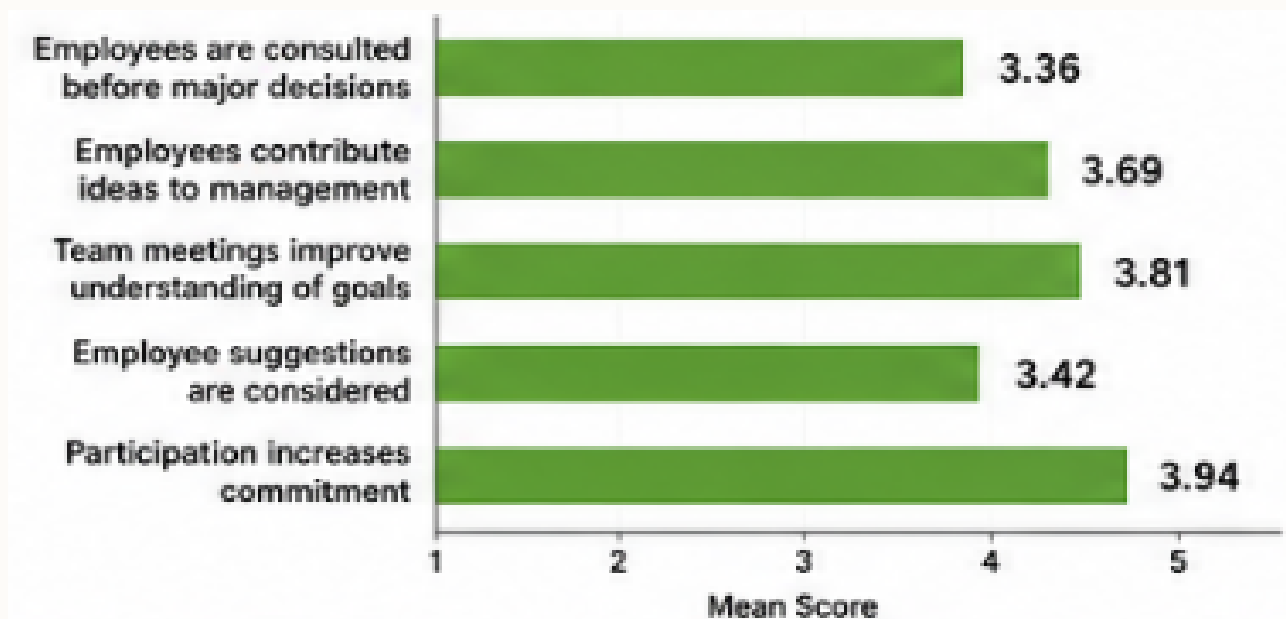


Figure 4: Impact of Employee Participation on Business Sustainability

Objective 3: Conflict Resolution Mechanisms and Business Sustainability

The impact of conflict resolution mechanisms on business sustainability was evaluated in objective three. The descriptive result (Figure 5) obtained a mean value of 3.80 and standard deviation of 0.83, which indicates that the respondents agree that fair and prompt conflict resolution is helpful to sustain SMEs. The regression results also indicated a significant positive effect with $\beta = 0.247$, $t = 4.912$, and $p = 0.000$. The result shows that effective management of disputes at the workplace increases the likelihood of having harmony, productivity and commitment among employees in SMEs. For small to medium enterprises, which typically have a smaller staff, conflict can easily impact operations and affect business continuity. The discovery reinforces the principles of social dialogue, cooperation and good workplace relations as pillars of sustainable businesses, as pointed out by the International Labour Organization (2024). It also aligns with Belas et al. (2024), who found that sustainable business outcomes in SMEs are related to employee-related organizational practices.

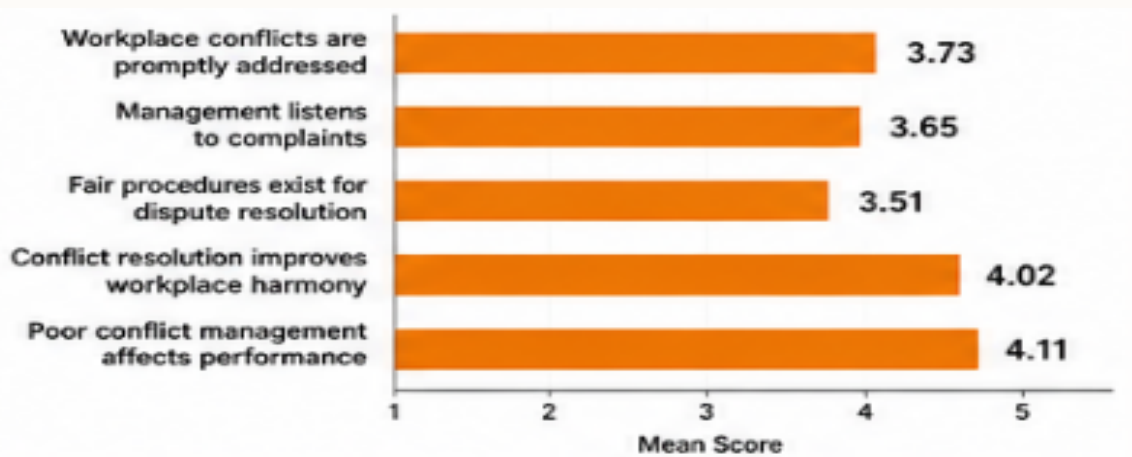


Figure 5: Conflict Resolution Mechanisms and Business Sustainability

Objective 4: Employer-Employee Relationship and Business Sustainability

Objective four assessed the impact of employer/employee relationship on business sustainability. The descriptive result indicated that the respondents agreed that positive workplace relationships are linked to sustainability with a grand mean of 3.85 and a standard deviation of 0.82. Employer-employee relationship was the strongest factor affecting business sustainability with a regression result of $\beta = 0.312$, $t = 6.104$ and $p = 0.000$ (Fig 6). The result shows that the cooperation, fairness and trust between employers and employees are important for SME survival and growth. A positive relationship with the employer can help lower staff turnover, encourage loyalty from employees, and boost the likelihood that they will support business objectives. This outcome is consistent with the Social Exchange Theory (SXT), which states that when employees perceive equity and positive treatment, they will be more likely to return the favor by committing and performing better. It also compliments the findings of Gittel et al. (2025) who found that sustainable outcomes and resilience are linked to people-centred workplace practices in SMEs.

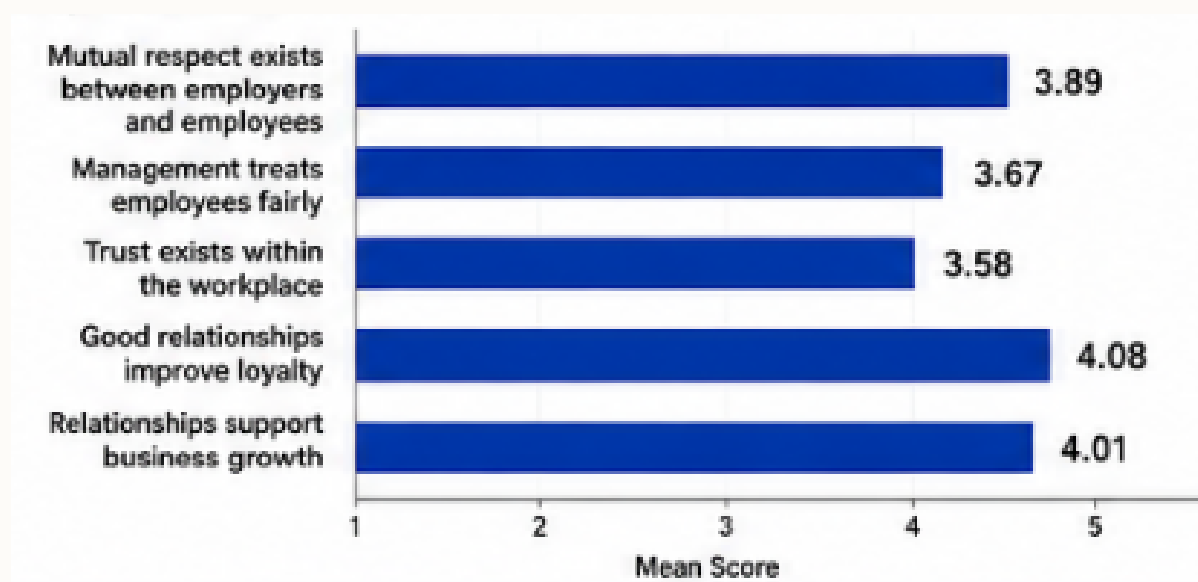


Figure 6: Effect of Employer-Employee Relationship on Business Sustainability

Objective 5: Combined Effect of Labour Relations on Business Sustainability

The results of objective five (Fig 7) revealed the overall impact of the dimensions of labour relations on business sustainability. The model summary showed $R = 0.781$, $R^2 = 0.610$, and adjusted $R^2 = 0.604$. The three factors of employer-employee communication, employee participation, conflict resolution

mechanisms, and employer-employee relationship together accounted for 61.0% of the variance in business sustainability. The ANOVA result was also significant, with $F = 109.440$ and $p = 0.000$. It shows that the combined effect of labour relations on business sustainability is very strong and significant in SMEs in Kwara State. The result reveals that sustainability of SMEs is not only attributed to external factors like finance, infrastructure, technology, and market competition but also internal workplace relationships. This is because MSMEs contribute to 96.9% of businesses, 87.9% of employment and 46.32% of GDP in Nigeria, and their sustainability is essential to Nigeria's development (PwC, 2024). The outcome is also aligned with the United Nations (2024) that emphasizes the significance of MSMEs in employment, enterprise growth and economic development at global level.

MODEL SUMMARY				ANOVA RESULTS					
R	R ²	Adjusted R ²	Std. Error	Source	Sum of Squares	df	Mean Square	F	Sig.
0.781	0.610	0.604	0.421	Regression	77.482	4	19.371	109.440	0.000
				Residual	49.384	279	0.177	-	-
				Total	126.866	283	-	-	-

Figure 7: Combined Effect

Figure 7: Combined Effect of Labour Relation

Test of Hypotheses

The first hypothesis tested that there is no significant relationship between employer-employee communication and business sustainability. The first hypothesis is tested as there is no significant relationship between employer-employee communication and business sustainability. The result showed $\beta = 0.286$, $t = 5.447$, and $p = 0.000$. The p value was found to be less than 0.05, and hence, the null hypothesis was rejected. This indicates that the communication between employees and employers had a great influence on business sustainability.

The second hypothesis was tested to see if there was no significant difference in employee participation and business sustainability. The result showed $\beta = 0.194$, $t = 3.986$, and $p = 0.000$. The p value was less than 0.05, therefore the null hypothesis was rejected. This is evidence that the involvement of employees had a significant impact on business sustainability.

The third hypothesis was whether conflict resolution mechanisms were not found to have significant impact on business sustainability. The result showed $\beta = 0.247$, $t = 4.912$, and $p = 0.000$. The null hypothesis was rejected because the p value < 0.05 . This means that the mechanisms for conflict resolution played an important role in the sustainability of business.

The fourth hypothesis was to test if there was no significant difference between the employer and the employee in the business sustainability. The result showed $\beta = 0.312$, $t = 6.104$, and $p = 0.000$. The p -value was found to be less than the significance level, 0.05, so the null hypothesis was rejected. This indicates the importance of the employer-employee relationship on business sustainability.

The fifth hypothesis was tested to determine the joint effect of labour relations dimensions on business sustainability at zero level. The result showed $R^2 = 0.610$, $F = 109.440$, and $p = 0.000$. The p -value was

found to be < 0.05 , so the null hypothesis was rejected. This implies that together the labour relations dimensions had a significant impact on business sustainability of SMEs in Kwara State.

5. CONCLUSION AND RECOMMENDATIONS

Hence this study investigated the influence of labour relations on business sustainability of the SMEs in Kwara State, Nigeria. The results indicated that the communication between the employer and employee, employee participation, conflict resolution systems and the relationship between the employer and employee had highly positive influences on business sustainability. The merger model also revealed that 61.0% of the variation in business sustainability was accounted for by labour relations. This means that the quality of workplace relations also affects SME sustainability, apart from finance, technology and market factors. The study indicates that good labour relations are crucial to employee commitment, stability in the workplace, productivity and the sustainability of the SMEs.

5.1 Recommendations

SME owners and managers need to improve internal communication by making sure that everyone working for the business is aware of how the business expects them to act, its policies and the business objectives.

Staff should be included in decision making, particularly in relation to issues that impact on the day to day running of the business, customer service and workplace improvements.

SMEs should have fair and timely conflict resolution mechanisms in place to resolve conflict before it impacts on productivity and business continuity.

Employer-employee relationships had the highest impact on business sustainability and employers should build trust, fairness, respect and cooperation between themselves and the employees.

Labour organisations, government agencies and SME development institutions should offer training programmes to SME operators in Kwara State on labour relations management.

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