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Entrepreneurial Characteristics and Business Performance in Small and Medium Enterprises in Enugu State

Dr. Victor Barinua
Department of Management, Faculty of Management Science
Ignatius Ajuru University of Education, Port Harcourt
Okoro, Michael Chiedozie
Department of Management, Faculty of Management Science
Ignatius Ajuru University of Education, Port Harcourt

Abstract: *The main objective of this study is to determine the relationship between the dimensions of entrepreneurial characteristics and measures of business performance in small and medium enterprises in Enugu State. Based on the review of journals, textbooks, magazines and online materials, the findings revealed that risk has a significant positive relationship with measures of business performance (Profitability, market share and customer satisfaction). Secondly, he findings revealed that competitive aggressiveness has a significant positive relationship with measures of business performance (Profitability, market share and customer satisfaction). Lastly, the findings also revealed that Competence has a significant positive relationship with measures of business performance (Profitability, market share and customer satisfaction). Therefore, the study concluded that risk taking enhances measures of business performance (profitability, market share and customer satisfaction). Also, competitive aggressiveness enhances measures of business performance (profitability, market share and customer satisfaction). Furthermore, Leadership Competence enhances measures of business performance (profitability, market share and customer satisfaction). Hence the study recommended that entrepreneurial leaders should take good calculated risks, become competitive aggressive and possess the required competence as a means of improving the business performance through increase in profitability, market share and customer satisfaction.*

INTRODUCTION

This paper examined the entrepreneurial characteristics and how they can be used to improve the business performance OF Small and Medium Enterprises in Enugu State. Business is very important for Nigerian development plan (Isaga, 2015). The performance of business is subject to the skill or traits of the entrepreneurs in managing their businesses. In the same manner every business need to achieve an ongoing concern to be able to achieve its objective and live a long life span. "Entrepreneur characteristics such as ability to innovate, risk taking competency and competitive aggressiveness have great extent to which they affect business performance (Oyeniyi and Adeniji, 2010)".

A lot of business collapse due to the inability of the owner of such business to display entrepreneurial characteristic in daily of the business. This is apparent in small and medium scale business failure in Nigeria.

An entrepreneur is a businessman with innovative skills who combines other factors of production to cause some positive changes in business environment. He can achieve this combination above by introducing new good quality, new method of production, opening of a new market; introducing new source of materials; or organizing new business. But without being competent his dreams cannot be achieved. He can also have the dream to display by taking calculated risks and in some uncertainty conditions. According to (Mamma, 2010), his dream may be in form of innovation, an opportunity or an improved way of doing things. By so doing he distinguished himself from other individuals. This feature accords the entrepreneur a peculiar character that makes him special. Other features of an entrepreneur include: Risk taking, creativity, passion, knowledge, planning, open-mindedness, result oriented; future oriented; innovative, need for achievement, strong leadership quality, self-confidence; has a good human relation; must be self-discipline; copes with uncertainty and above all profit oriented. For the purpose of this study, we will focus on risk taking, competitive aggressiveness and customer satisfaction as characters of an entrepreneur.

Entrepreneurs need above characteristics to improve their business performance. An entrepreneur with aforementioned characteristics will have a competitive advantage in his business environment, while entrepreneurs without these characteristic will either have a very poor performance or will not only perform poorly but can be pushed out of business.

It is against this premise that this research becomes necessary and the effect of the entrepreneurial characteristic of business performance and its empirical investigation necessitated. The main objective of this research was to determine the relationship between dimensions of entrepreneurial characteristics and measures of business performance of SMEs in Enugu State.

LITERATURE REVIEW

Entrepreneurial Characteristics

The term ‘Entrepreneur’ has been categorized differently by different authors. Hisrich et al. (2008) in their view opined entrepreneurial characteristics to include: education, personal values, age, work experience, moral support network, and professional support network. But Sorensen and Chang (2006), in their own opinion supported opinion which stated that entrepreneurial characteristics that determine the business success include psychology factor which is a characteristic of the individual as well as in the literature of psychology. Psychological factors that affect business performance include: need for achievement, locus of control, and personal traits. The level of education of the entrepreneur is positively associated with business performance. Higher education is considered to have a better impact in entrepreneurship because it reflects the fact that it makes they to become more capable to run the business. Attributes and characteristics owned by entrepreneurs includes: age, gender, religion, the influence of the family. Attained qualifications include education, and business experience. Establishment of the entrepreneur's character is influenced by a number of internal and external factors, namely the environment, education, personal values, and work experience (Shane et al., 2003).

Ottih (2016), highlighted the personality characters of the Entrepreneur to include: achievement motivation, Innovativeness, Independence, risk taking, leadership, optimism, self-confidence, ability to deal with failure, internal locus of control, tolerance for ambiguity/uncertainty, commitment and determination. He summed these characters into eight grand traits needed by entrepreneurs as:

i. Commitment, determination and hard work
ii. Independence, self-reliance, internal locus of control
iii. Creativity, innovativeness, adaptability
iv. Tolorence for risk, ambiquity and uncertainty
v. Achievement motivation
vi. Leadership and good human management
vii. Foresight and opportunity seeking
viii. Optimism

Dimensions of Entrepreneurial Characteristics

Risk-Taking in Business Performance

According to Wiklund and Shepherd (2003), risk-taking refers to entrepreneurial character of taking a bold step to go into uncertain new business, committing huge resources with hope to come out with success. Risk is a process of identifying, analyzing, alleviating and preventing, avoidable potential risk and at the same time balancing the cost of protecting the business against a risk against the cost of exposure to the risk. Ideally, he recognizes the risk from the beginning and take the risk under control to avoid loss. (Cornelia, 2004). Entrepreneurs, practicality, try to proactively manage with the risks. Risk-taking has relationship with performance of entrepreneurial businesses (Kreiser & Davis, 2010).

Competitive Aggressiveness in Business performance:

According to Patrick Oyaregba Aigboje Competitive aggressiveness refers to a firm's tendency to rigorously challenge its competitors to improve its market position and outperform his business competitors in a marketplace (Lumpkin and Dess, 1996). Competitively aggressive businesses pay close attention to their competitors' actions and initiate their challenges. These firms invest in competitive actions with product launches, marketing crusades and price opposition more often than others. It is regarded as as the speed and number of competitive actions taken by a company against his direct competitors (Lumpkin and Dess, 1996).

According to Lumpkin and Dess, (2001). Competitive aggressiveness allows a firm to act persuasively to protected or improve its position among his competitors The result also reveals a significant and positive correlation between competitive aggressiveness and firm performances with 53.4% of the variance in financial performance explained.

Dimensions of Competitive Aggressiveness

Chen, (1996) identifies three factors as the drivers of competitive behavior: awareness, motivation, and capability.

- Awareness suggests the level of cognizance a firm has of its competitors and the general competitive environment.
- Motivation is the drive to compete with the rivals' while
- Capacity is the ability pursue that rigorous drive.
- How social skill influence business performance

The Concept of Competence in Business performance:

Competence is the ability of an individual to perform one's duties or being adequately qualified in order to do so. Performance is an activity or the accomplishment of a given task. Competence involves "knowing". Performance involves "doing" (E-dictionary). Entrepreneurial competencies also refer to businessman's skills and entrepreneurial personality.

Generally, competency is categorized into knowledge, characteristics and skills (Mojab et al. 2011). According to Zali, et al., (2013), "the nature of competencies, perceived capability and opportunities refer to skills of an entrepreneur where role models and less fear of failure are targeted to define entrepreneur's personality".

Dimension of Competence in Business Performance

- Task skills: Performing the task/job to the required standard.
- Task management skills (variables): Able to do more than one thing at a time and managing the tasks correctly.
- Contingency management skill: Responding appropriately to irregularities and breakdowns in routine within a job or workplace.
- Job/role environment skills (outcomes): Able to deal with the responsibilities and expectations of the work environment.

Business Performance

Businesses' performance from an accounting literature perspective centers on company profitability and performance of stocks in the capital market. The measures of firm performance based on literature can be broadly classified into two namely; the market oriented measures and the accounting oriented measures. Furtado & Karan, (1994) provided evidence that boards prefer accounting oriented measures to market measures in evaluating managerial performance. Accounting based measures are adopted in the study as performance measures because they provide the most available data. This section gives a brief overview of the prominent market and accounting based measures. Accounting performance measures like Return on Assets (ROA) have an advantage because they are backward looking (Jong et al., 2002). ROA gives an idea as to how efficient management is at using its assets to generate earnings (Khatab et al. 2011). It is often calculated by dividing Profit after tax by total assets alternatively, it can be calculated by dividing Earnings before Interest and Tax (EBIT) by total assets. This accounting based performance measure can be tagged as forward looking because profit for the period is measured against sales for the current period. Profit margin is calculated as profit after tax divided by turnover or net sales. The essence is that it provides information on the percentage of profit that sales are able to generate.

Profitability

Profitability refers to money that a firm can produce with the resources it has. Profitability is a situation in which an entity is making a profit. Profitability is the primary goal of all business undertakings. The goal of most organization is profit maximization (Niresh & Velnampy, 2014). Without profitability, the business will not survive in the long run.

Profitability is measured with income and expenses and normally divided into gross profit and net profit. Gross profit as a marketing metric refers to the profit generated by a firm (Pandey, 2005). It is calculated as the total sales minus the cost of those sales. The net profit is a financial metric that is equally important to the marketing manager. It is synonymous with bottom line and indicates whether, after all the expenses of the firm have been taken into consideration, the company is still making profit. The net profit margin is the marketing metric that represent the ultimate profitability of the firm expressed in percentage and it is useful in comparing one period against another or comparing one company with another. Return on assets provides a measure for assessing the overall efficiency with which the assets are used to produce net income from operations. It also is suggestive of management's effectiveness in deploying capital, because it is certainly possible to be efficient and yet poorly positioned in terms of how capital is being utilized. Return on assets, is calculated by dividing profit after tax (PAT) and interest by total assets which can be interpreted as a ratio of income to its total assets. Return on assets is probably the single best overall measure of operating performance. It ties together the results of operations with the resources used to produce those results. It is also relatively easy to interpret (Pandey, 2005).

Profit is also used as an index for performance measuring of a business (Ogbadu, 2009). Profit is the difference between revenue received from sales and total costs which includes material costs, labor and so on (Stierwald, 2010). Profitability can be expressed either accounting profits or economic profits and it is the main goal of a business venture (Anene, 2014). Profitability portrays the efficiency of the management in converting the firm's resources to profits (Muya & Gathogo, 2016). Thus, firms are likely to gain a lot of benefits related increased profitability (Niresh and Velnampy, 2014). One important precondition for any long-term survival and success of a firm is profitability. It is profitability that attracts investors and the business is likely to survive for a long period of time (Farah & Nina, 2016). Many firms strive to improve their profitability and they do spend countless hours on meetings trying to come up with a way of reducing operating costs as well as on how to increase their sales (Schreibfeder, 2006).

Profitability arises when the total amount of revenue is greater than the total amount of expenses over a business period.

Market Share:

A company's market share is its portion of total sales in relation to the market it operates within. Market share represents the percentage of an industry or market's total sales that is earned by a particular company over a specified time period (Pandy, 2005). Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company in relation to its market and its competitors. Market share increases can allow a company to achieve greater scale in its operations and improve profitability. Market share and Profitability are the two dependent variables in the study. Market share is one of the marketing metrics that is constantly talked about in the field of marketing as a discipline. Market share compares the revenue of the firm with the total revenue of the market in question over a period of time. The purpose behind measuring market share is to establish the relative position or share of the firm within the broader market place. And in relation to this study, the share of the firm in the market will be determined in relations to the extent of the promotional strategy. In effect it helps to understand the relative success of the firm in penetrating the market place, thus the relative market shares of a company attempts to compare a business's market share with that of its nearest rivals.

Customer Satisfaction:

Customer satisfaction plays an important role in business strategy and acts as a key factor in the sustainable development of companies. Many studies define the concept of satisfaction. The level of customer satisfaction is assessed by comparing a perception of a product/service in relation to the expectation of customers. According to (Abdullahi et al., 2015; Al-Dhaafri et al., 2013). Many studies have proven the relationship between entrepreneurial characteristics and customer satisfaction.

According to Philip Kotler, (2018) customer satisfaction as a 'person's feeling of pleasure or disappointment, which resulted from comparing a product's perceived performance or outcome against his/her expectations'. It is a measurement that determines how happy customers are with a company's products, services, and capabilities. It is also a measure of how people feel when interacting with your brand. Customer satisfaction information, including surveys and ratings, can help a company determine how best to improve its products and services or to change them. Factors that determinants customer satisfaction include: responsiveness, assurance, convenience, tangible and empathy, perceived product quality, value, customer expectation, good communication and how their complaints are handled E-dictionary).

Conclusion

From the study, other scholars accepted the that there is significant relationship between the independent variables: entrepreneurial characteristics dimensions (risk taking, competitive aggressiveness and competency, and the dependent variables: measures of business growth (profitability, market share and customer satisfaction). To this facts, the study concluded that entrepreneurial characteristics affect positively and significantly the business performance of small and medium enterprises. Above implies that having acquires these managerial and leadership characters, the business performance will be positively affected. It must be noted that entrepreneurial characteristics are functions of managerial and leadership skills exhibited by the entrepreneur. We know that good leadership is in the character and it facilitates business performance.

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