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Effect of entrepreneurs' character on smes performance in lagos state

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ABSTRACT: *The success of SMEs hinges on the character display by the entrepreneurs in a competitive business environment. Many SMEs have failed as a result of entrepreneur's lackadaisical display in controlling and coordinating the business. This study examined the effects of entrepreneurs' character on SMEs performance in Lagos State. This study used survey research designed via administering questionnaires to the entrepreneurs' of SMEs in Lagos State. 260 questionnaires were administered to the respondents and 231 were retrieved. Regression method of analysis was employed to test the stated hypotheses and the findings revealed that risk taking has a weak positive effect on profitability but competitive aggressiveness and innovativeness have a strong positive effect on sales growth of SMEs in Lagos State. The study recommended that entrepreneurs' operating in Lagos State need to be very mindful of the risk they take in order to improve their business performance in terms sales growth and profitability. Entrepreneurs need to develop new business ideas to enhance innovativeness and creativity so as to achieve increase in both financial and non-financial performance.*

Keywords: Risk taking; competitive aggressiveness; innovativeness; profitability; sales growth

1.0 INTRODUCTION

The growth of most economies depends essentially on the vibrancy of the entrepreneurship (Oyeniyi & Adeniji, 2010). Entrepreneurship in today's world has become major concept of discussion in developing countries. Entrepreneurship via SMEs is a major means which a society can meet up with current commerce challenges in the world. Entrepreneurship provides avenues for alternate failing or malfunctioning state-owned enterprises in developing economies in the world. Entrepreneurship is a means of job creation and empowering the deprived fraction of a population. Muma (2002) opined that SMEs contribute to self-sustained growth and the development of nations. Silver and Vegholm

(2009) as cited in Singh, Pathak, Shee, King and Parker (2013) stressed that SMEs are the greatest profit opportunity for the banking industry in European markets. Due to the importance of entrepreneurship, series of studies such as Abdulwahab and Al-Damen (2015); Tambwe (2015); Adeoye, (2013); Osemeke (2012); Ebiringa (2012); Islam, Khan, Obaidullah & Alam (2011); Tagrafa and Akin (2009); Gartner and Shane, (1995) etc have been done on entrepreneurship and they affirmed that entrepreneurship has great impact on economic growth. According to Singh et al., (2013), the success or failure of small and medium-size enterprises (SMEs) rests on how entrepreneurs think, behave and act.

SMEs performance in Nigeria has been viewed in terms of sales growth, competitive advantage, expansion and profitability. Business performance can be viewed from financial perspective and non-financial perspective. According to Reynolds, Bygrave and Autio, (2004), financial perspective is linked to profits, wealth creation, economic growth and sales growth while non-financial perspective is associated with competitive advantage and increased productivity. Therefore, SMEs performance can be judged based on several different dimensions such sales growth, capital, increase in employment, increase in production line and others. In the same vein, SMEs performance is seen from the angle of financial perspective and it is assessed as sale growth and profitability

Increment or reductions in the number of SMEs in an economy will have great effect on any developing economy. In Nigeria, it has been emphasized in the studies of Oyeniyi & Adeniji, (2010), Adegbite et al., (2007) that SMEs account for about 80% of the industrial sector in terms of number and employees. Lagos State economy has witnessed increased in the number of SMEs operators according to the state ministry of commerce. Regardless of this, there is also high number of failed and collapsed SMEs in Lagos State due to low profitability, poor business decision, high cost of production, competition with foreign products and low market share. It is not yet determined if the low profitability and sales are as result of entrepreneurs' incapability or inability to take calculated risk, to react sharply to the moves of the competition or to create new and acceptable ideas. There are so many studies such as Abdulwahab and Al-Damen (2015); Tambwe (2015); Adeoye, (2013); Osemeke (2012); Ebiringa (2012); Islam, Khan, Obaidullah & Alam (2011); Oyeniyi & Adeniji, (2010); Tagrafa and Akin (2009) on characteristic/personality of entrepreneurs but very few studies considered how the character of entrepreneurs' affect the financial performance in terms of sales growth and profitability of the SMEs in Lagos State. Against this background, this study wants to examine the effect of entrepreneurs' character on SMEs performance in Lagos State.

2.0 LITERATURE REVIEW

2.1 Conceptual Clarifications

Entrepreneurship has led to the development and expansion of new industries as well as the existing industries. Entrepreneurship is being controlled and directed by entrepreneurs. Entrepreneurs take bold steps and giant stride to achieve his goals and objectives for the enterprises. Entrepreneurs take risk by creating or transforming thoughts into new ventures and to make the new ventures penetrate the market. Thus, an entrepreneur is the individual that identifies opportunities, gather necessary resources, creates and is ultimately responsible for the performance of the firm (Adegbite, et al., 2007; Oyeniyi & Adeniji, 2010). Schumpeter (1934) as cited in Murad & Al-Damen (2015) defined entrepreneur as the person who creates something new and innovation in existing economy. Entrepreneur is a risk-taker and has been consistent with his business goals and objectives in singular circumstances. Moloi and Nkhahle-Rapita (2014) said entrepreneurs are individuals who accept risks and who are innovative in terms of their business management skills. Entrepreneurs is defined as the people who create, manage and lead their own business to success, and being responsible for their decisions and consequent results (Murad & Al-Damen, 2015) Moreover the researcher can define entrepreneurship a process of creating, establishing, organizing and managing new venture in the way that lead them to succeed.

Different scholars and studies such as Adisa et al., (2016) Murad and Al-Damen (2015); Moloi and Nkhahle-Rapita (2014); Ogundele, (2012); Islam, Khan, Obaidullah & Alam (2011); Oyeniyi and Adeniji (2010), Adegbite et'al., (2007), etc have given definitions of an entrepreneurs. Thus, this study defines an entrepreneur as the person who conceives an idea, takes the risk of transforming the idea into business ventures by making the idea known and selling the ideas in the target market for the purpose of financial and non financial rewards. Thus, business activities are involved.

Business performance is multidimensional construct. Islam, Khan and Obaidullah (2011) see firm performance as the firm's success in the market, which may have different outcomes. And also, he opined that performance can be characterized as the firm's ability to create acceptable outcomes and actions. Several literatures have seen business performance in many ways, but this study see business performance in terms of sales growth and profitability of a business firm

2.2 Entrepreneurs character and SMEs Performance

Entrepreneurs need to exhibit some specific characteristics in order to success in the entrepreneurial business. Entrepreneurs' characteristics are personal traits and skills which constitute competency of the entrepreneur which needed to venture success (Murad & Al-Damen, 2015). This study sees entrepreneurs' characteristics as the individuality of entrepreneurs in terms of risk-taking, innovativeness and competitive aggressiveness towards achieving the business goals

2.2.1 Risk Taking and SMEs Profitability

Risk taking encompasses taking courageous steps, measures and commitment of financial and non financial resources by gambling into an uncertain business environment or activities. Adisa, Adeoye and Okunbanjo (2016) opined that risk-taking involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments It is the willingness and readiness to commit resources (own or borrowed) to pursue identified market opportunities that have a reasonable possibility of losses. Risk taking in business environments as it is noted by Adisa et al., (2016) is not about taking extreme or uncontrollable risks but taking moderate and calculated risk. According to Keh, Nguyen and Ng (2007) and Wiklund and Shepherd, (2005) as contained in Taylor (2013), risk taking refers to a tendency of an SME to take bold steps such as entering unknown new markets, committing a large portion of the firm's resources to undertakings with uncertain outcomes and/or borrowing heavily. Past studies such as Marfo-Yiadom and Yeboah (2012), Arshada, Raslib, Arshadc and Zainc (2013) etc revealed that risk taking has positive relationship and significant effect on business performance. Avlonitis and Salavou (2007) put it that firms with strong entrepreneurial behavior are attracted to projects of higher level of risk to get higher level of return. On the divergent view, a risk-averse firm or entrepreneurs' will not engage on activities or avoid venture that its outcome is unsure especially in a changing environment. This behavior will result in weaker performance as the firm is not willing to capture market opportunities (Hughes & Morgan, 2007). Adisa et al., (2016) concluded that there is no positive association with entrepreneurs' financial compensation. Based on this, the hypothesis is therefore formulated that risk taking has no positive effect on SME profitability

2.2.2 Competitive Aggressiveness and Sales Growth

Competitive aggressiveness is the character, actions or steps taken or displayed by an entrepreneur to outmaneuver his competitors. It is important for entrepreneurs to posses this uniqueness so as to have large market share in the industry they are operating. Competitive aggressiveness requires intense action that is aimed at outperforming industry rivals (Bleeker, 2011). An entrepreneur can outsmart his rivals either by upgrading current product or service or by doing things in a way that is different from others. According to Lumpkin and Dess (1996); Kusumawardhani, McCarthy & Perera (2009), competitive aggressiveness refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position to outperform industry rivals in the marketplace. Entrepreneurs must be responsive to competitors' moves. The studies of Arshada, Raslib, Arshadc, Zainc (2013), Marfo-Yiadom ad Yeboah (2012); Bleeker (2009) concluded that competitive aggressiveness has positive and significant effect on organizational performance. It is on this trail that the hypothesis is stated that competitive aggressiveness has positive effect on SMEs sales growth

2.2.3 Innovativeness and Sales Growth

Innovativeness is the willingness of the entrepreneurs or firms to engage in creativity of ideas in terms of production process and product and service delivery and trialing the new ideas in the market (Adisa, et al., 2016). According to Baker and Sinkula, (2009), innovativeness reflects a fundamental willingness to depart from existing technologies or practices and venture beyond the current state of the art. Lumpkin and Dess (1996); Adisa et al., (2016) stated that innovativeness may take several forms ranging from a willingness to try a new product line or experiment with a new advertising medium, to a focused effort to master the latest products or technological advances. Innovative organizations see things the way others see them but do things differently. It is the ability to translate creative ideas into something concrete, unique, or novel (Adisa et al., 2016). Innovativeness is a vital tool for entrepreneurs and organization to use to penetrate in the operating industry. It is important for start-up entrepreneurs to be innovative if they want to stand up against the industry competition. Thus, it hypothesized that innovativeness does not have positive effect on SMEs sales growth

2.3 Theoretical Framework

This part of this study highlights the theory that back the objectives of the study

2.3.1 Personal Based Model

This model talks about an entrepreneur exhibiting some certain or specific traits or personality that will have strong impact on the business activities. The traits, entrepreneurs must display in planning and execution of the plans, controlling and organizing the resources of the business to achieve the mission and vision of the business. These traits includes taking responsibilities for his action, risk taking propensity, problem solving orientation, need for autonomy, financial discipline, proactiveness, perseverance, innovativeness, high locus of control, creativity, competitive aggressiveness etc. These traits are crucial to entrepreneurial success. Personal based model is useful in explaining the past success and in predicting the future development of a newly founded business (Oyeku, Oduyoye, Asikhia, Kabuoh & Elemo, 2014) and existing business. This theory backs the objectives of this study

3.0 MATERIALS AND METHODS

Survey research design was employed. Primary source of data collection was utilized via administering questionnaire to 260 entrepreneurs operating SMEs as target respondents in Lagos state randomly. Questions for entrepreneurs characteristics were adopted from Adisa et al., (2016) and Covin and Slevin (1989). Questionnaire on SMEs performance were adopted from Makinde (2015). A total of 231 questionnaires were found useful for this study. The questions were ranked in 6-point scale ranging from strongly agree, agree, partially agree, partially disagree, disagree and strongly disagree. Multiple regression and descriptive statistics were used to analyse the data that were run on SPSS version 21. The reliability test and the validity test were also considered to ascertain the internal consistency of the responses and if the questions measured what they tend to measure.

4.0 RESULTS AND INTERPRETATIONS

4.1 Demographic Details of the Respondents

The responses on demographic details of the respondents revealed that 62(26.8%) of the respondents were within the ages of 18-30, 80(34.6%), and 89(38.5%) were within the ages of 31-43, 45-57 and 45-57 respectively. the responses on the experience of the SMEs entrepreneurs showed that 67(29%) had been in the business from 0-4years, 75(32.5%) had been in the business from 5-9 years,

76(32.9%) had been SMEs operators from 10-14 years and just 13 which is about 5.6% had been operating SMEs from 20years and above. 81(35.1%) of the entrepreneurs posses diploma certificate, 73(31.6%) of the entrepreneurs were universities and polytechnic graduates, 54(23.4%) possed secondary degree certificates, just 3(1.3%) possed doctoral degree and 20 possed other qualifications such as professionals, O'level certificate etc

4.2 Reliability and Validity Result

Table 4.1: Reliability and Validity of the Data

Variables	Reliability	Validity	No of items
Risk Taking	.714	.659	5
Innovativeness	.754	.750	5
Competitive Aggressiveness	.794	.737	5
Sales Growth	.761	.782	7
Profitability	.634	.744	5

Source: Researchers' computation, 2017

The internal consistency and measurement of validity of the responses on all variables employed were tested using Cronbach Alpha and KMO test respectively. The results showed that the values of reliability test of all the variables are above 0.70 except the value of profitability..In the same vein, the validity values of the variables are above 0.60 which means that the research questions measured what they are supposed to measure

4.3 Test of the hypotheses

Table 4.2 Table for Summary of the Results

	UNSTANDARDIZED COEFFICIENTS					
	R-SQUARE	B	STANDARD ERROR	F-VALUE	P-VALUE	N
Hypothesis 1	.303	.174	.154	0.996	.320	231
Hypothesis 2	.420	3.76	1.29	6.586	.044	231
Hypothesis 3	.441	3.51	1.07	5.393	.039	231

Source: Researchers' computation, 2017

The regression result on hypothesis one that risk taking has no positive effect on SME profitability shows that 30.3% of risk taking explains the variation in SMEs profitability in Lagos State. The result also showed that there is weak but positive effect of risk taking on the profits of SMEs operators in Lagos State with value of .174. Therefore, this study failed to accept the null hypothesis that risk taking has no positive effect on SMEs profitability.

From the result on hypothesis two that competitive aggressiveness has a positive effect on SMEs sales growth, the R-square result shows 42% of the variation in SMEs sales growth is explained by competitive aggressiveness. The result further indicated competitive aggressiveness has high positive effect on SMEs sales growth with the value of 3.76. Hence, this study rejected the hypothesis that competitive aggressiveness has no positive effect on SMEs sales growth.

The regression results in table 4.2 reveals that the R-Square of hypothesis three that innovativeness does not have positive effect on SMEs sales growth is 0.441 which is about 44.1% of SMEs sales growth is controlled by innovativeness. Thus, the coefficient value of 3.51 revealed that there is a positive effect of innovativeness on the sales growth of SMEs in Lagos State. This study did not accept the null hypothesis that innovativeness does not have positive effect on sales growth

4.4 Discussions of Result

The result of hypothesis one indicated that any risk taken by an entrepreneur will increase the profitability of the enterprise by 0.174; this shows a slight positive effect. The result is consistent with Murad and Al-Damen (2015); Arshada, et al., (2014); Boohene, et al., (2012) but inconsistent with the findings of Adisa et al., (2016). Hypothesis two results revealed that the more entrepreneurs are competitively aggressive, the more the growth in the sales of their products by 3.76.This signifies strong positive effect. And this result is consistent with the study of Adisa et al., (2016); Arshada, et al., (2014); Boohene, et al., (2012). Also, the more entrepreneurs are innovative, the more the increment in the sales of products by3.51. Thus, the findings is in line with Adisa et al., (2016); Arshada, etal., (2014); Boohene, et al., (2012)

5.0 CONCLUSION AND RECOMMENDATIONS

The regression results showed that among the characteristic of entrepreneurs considered in this study, innovativeness has high effect with SMEs performance in Lagos State while competitive aggressiveness has the highest coefficient value and the higher positive effect on SMEs performance. Thus, entrepreneurs operating in Lagos State needs to be very mindful of the risk they take in order to take their business to the next level. Entrepreneurs need to react more sharply to the moves; tactic and strategies of their competition in order to maintain and increase their market share or share of shelve in the market. Entrepreneurs must avoid imitation of their product, that is, entrepreneurs need to create and develop new sophisticated ideas that will be difficult to imitate by adding unique features in all facets of the production line or business. This will aid them to maintain and attract new customers which will automatically increase the sales performance of their products.

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