

Influence Of Entrepreneurial Characteristics On The Growth Of SMES

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Abstract: This study examined the influence of entrepreneurial characteristics on the growth of small and medium enterprises in the textile industry in Nigeria. Both descriptive and inferential data analysis methods were used with owners/managers and employees of selected textile industries in Nigeria as case study. While simple random sampling was employed in selecting respondents the instrument used was likert scales based on questionnaire ranging from strongly disagree to strongly agree. Questionnaires were distributed to the respondents and one hundred and sixty seven were successfully retrieved and analyzed. SPSS was used in the analysis of the data. The results showed that need for achievement has a significant effect on the growth of SMEs. There is a statistically significant relationship between innovation and growth of SMEs. There is a statistically significant relationship between self-efficacy and growth of SMEs which indicates a correlation between entrepreneurial characteristics and the growth of textile industries in Nigeria. The study concluded that acquisition of entrepreneurial characteristics should be emphasized. The practice where firms copy one another is imbalance with innovation and self- efficacy necessary for firm growth. Firms must be possessed with improvements, receptive to new challenges and adopting wide range of new ideas.

Keywords: *entrepreneurial characteristics, firm growth, Nigeria, innovation*

I. INTRODUCTION

Small and medium enterprises (SMEs) are catalysts to national economic growth and development because of their considerable input towards poverty reduction, GDP growth and job creation in both developed and developing countries. Though exact data are not easy to obtain, about ninety-five percent of enterprises across the world are SMEs, amounting to about seventy percent of private sector employment. In addition, SMEs are identified to be key players in wealth creation, innovation, industrial restructuring and economic development and growth. SMEs also contribute appreciably to the industrial system in matured economies. A huge number of giant industries started from SMEs and some of them even depend on SMEs. For example, some SMEs are very active in numerous fields like, small-scale productions and the service companies. In every nation, SMEs represents a huge and economically important sector of potential businesses. SMEs contributed to more than half of the national output in some low income countries. In Nigeria, SMEs employ about eighty

percent of the total labor force, contributing about fifty-two percent to national GDP growth.

SMEs are sub-sectors of the industrial sector which play crucial roles in industrial development (Emmanuel O and Daniya A. (2012). They are generally acknowledged as the key engine of economic development. In line with this acknowledgement, there has been formulation of industrial policies around the world and Africa in particular on how to stimulate economic growth through the development of SMEs. Both developed and developing countries focus on SMEs because it is believed that they bring large economic benefits in terms of job creation and income generation. Particularly, in developing countries. Another advantage of small firm is that they are associated with more flexible production routines (Alex Coad and Jaganaddha P T 2012). SMEs are important not only because they create jobs but also because they employ unskilled workers, who are overly abundant in these countries.

Like many other developing countries, Nigeria has recognized the relevance of SMEs for economic development

and poverty alleviation and has taken numerous steps including monetary fiscal and industrial policy measures to improve the performance of SMEs and diversify the country dominance of over reliance on the oil sector economy. Some of the government programs, policies and schemes towards realizing the effective performance of SMEs are: Small Scale Industries Credit Schemes (SSICS), Small and Medium Industries equity investment scheme (SMIEIS), Small and medium enterprises development agency of Nigeria (SMEDAN), Bank Assisted SMEs Loans Projects, Industrial Development Centers (IDCs) among others .

The entrepreneurship which is part of SMEs is very relevant to the empowerment of the citizens for sustainable development. It gives substantial opportunities for the development and the use of local raw materials. Entrepreneurial characteristics are those factors which can positively or negatively influence the growth of SMEs. Entrepreneurial characteristics include: Innovation, Creativity, Risk taking ability, Self-efficacy, Need for achievement, Initiative taking ability.

STATEMENT OF THE PROBLEM

The common questions that are being asked in the field of entrepreneurship are questions such as why some firms grow while others do not grow. It is of primary importance to understand whether entrepreneurial characteristics promote the growth of firms generally. The purpose of this experimental study therefore is to contribute to filling this gap. It aims to explore the impact of entrepreneurial characteristics on the growth of SMEs in Nigeria

Some researchers like Ribeiro, Patzelt and Lee (2009) have investigated different factors that might influence the growth of firm ranging from entrepreneurial characteristics to the environment which the firms operate but they mainly use statistical method like descriptive statistics, variance analysis which are used to discuss the linear relationship between variables. This inevitably leads to biased results. To overcome these limitations in previous researches, this research is based on a simple survey among the owners/managers and employees of selected textile industries in Nigeria

Through a review of previous research on business growth in Nigeria, we discover that in most of the studies, firm growth is being significantly affected by external factors and firm characteristics. As a reaction to such findings, several initiatives and programme in Nigeria are focusing on solving environmental problems, such as providing government assistance, investigating the role of banks, and providing infrastructure while ignoring the individual running the firm. Though some of the issues addressed in these studies have changed, the performance of the SME sector has not yet been impressive. This suggests the need to further examine the factors that influence SMEs growth from different perspectives.

RESEARCH QUESTIONS

- ✓ Does Need for Achievement influence the growth of SMEs?
- ✓ Does Innovation influence the growth of SMEs?

- ✓ Does Self-efficacy influence the growth of SMEs?

AIM AND OBJECTIVES

The aim of this study is to analyze the influence of entrepreneurial characteristics on the growth of small and medium enterprises in Nigeria. The objectives are:

- ✓ to examine the influence of Need for Achievement on the growth of SMEs
- ✓ to examine the influence of Innovation on the growth of SMEs
- ✓ to examine the influence of Self-efficacy on the growth of SMEs

II. LITERATURE REVIEW

According to James Chen (2018), firm growth is a company growing faster than its peers or the broader economy. Although there are no hard and fast rules of defining growth, these firms generally have increased annual revenues by more than the industry average over a sustained period A firm is not classified as a growth firm if revenues or other financial metrics surge for one quarter and relax in subsequent periods, this progress must be demonstrated over several years to legitimate the quality of growth. Regardless of their sizes, expanding and growing firms are indeed the creators of new jobs and of a healthy economy (Delmar 2006), (Penrose 2003). Just as researchers have frequently noted the heterogeneity of entrepreneurship theories, they also affirm that there is no single theory which can explain firm growth (Wiklund 2009). Due to this dilemma, a large number of theories have been developed to explain aspects of SMEs growth. These theories can be distinguished according to the basic assumptions they make about the growth process (Dobbs and Hamilton 2007). For example Farrell and Hitchens (1988) are among the authors who have reviewed theories of small firm growth. They identified four main groups of theories: the static equilibrium approach, the stochastic model, the strategic management approach, and the stages model. The recent review of SMEs growth carried out by Dobbs and Hamilton (2007) classified the obtainable approaches to the study of small business growth into six groups: stochastic, descriptive, evolutionary, resource-based, learning, and deterministic

Many researchers such as Nsubili (2012), Wekesa, Gathunga, Maalu, and Wainaina (2016) have shown growth to be an important part of entrepreneurial characteristics, thus making the relationship between growth and entrepreneurship significant. This connection is very important, particularly when the theory of the firm is considered, in which both entrepreneurship and growth play significant roles. For example, Davidsson, Delmar and Wiklund (2002) considered this relationship and identify the aspects of growth which constitute part of entrepreneurship and those which do not purposely, they argue that if entrepreneurship is defined as the creation or emergence of a new firm then growth is not formally part of the definition of entrepreneurship. But as most of these start-ups remain very small for their entire existence, it is wise to include aspects of early growth in the entrepreneurship definition (Davidson, Achtenhagen and

Naldi 2007). It is further suggested that if entrepreneurship is defined as the creation of new economic activities and the like, then firm growth is an aspect of entrepreneurship which can be achieved through the introduction of new products and services. However, if growth is achieved through the acquisition of activities, which were already run by businesses, then growth is not an aspect of entrepreneurship (Davidsson, Delmar and Wiklund 2002). From these elaborations, it is then obvious that growth is an aspect of entrepreneurship if the term is understood as the creation of new economic activities.

According to Durotoye (2014) entrepreneurial characteristics are unquestionably considered engines of firm growth. Some studies have been carried out to develop and test different factors that influence the growth of SMEs. For example, Davidsson (2003) developed a model of small firm growth in which the actual growth is seen to be the function of ability, need and opportunity. His findings suggest that need, ability and opportunity can account for difference in the growth rates among small firms. However, recent studies have noted that the factors which, for example, influence sales growth do not always influence other growth indicators (Jansen 2009, Shepherd and Wiklund 2009). Therefore, researchers are advised to analyze different growth indicators separately (Delmar 2006). This notion has recently received attention within this area. For example, Jansen (2009), (Rauch and Frese (2007), Zhao, Scott, Seibert and Lumpkin (2010).

. According to Brush and Blackburn (2009), some firm that desire growth must inculcate entrepreneurial characteristics into their business Also, Thomas (2016) made an extensive contribution in this area by reviewing previous studies on small firm growth and constructed a theoretical framework to describe different types of factors that might influence the growth of small firms. He later concluded that there are three key influences upon the growth rate in small firms. These include: characteristics of the entrepreneurs and their access to resources, specific firm characteristics and types of strategy associated with growth. Similarly, Hall (1995) identified seven factors that may determine firm growth. These factors include the personal characteristics of the owner, the availability of outside assistance, motivation, strategic management, marketing policy, financial management and market characteristics. Achtenhagen, Naldi and Melin (2010) and Nichter and Goldmark (2009) concluded in their studies that individual entrepreneurial characteristics and practice promote SMEs growth

III. METHODOLOGY

The survey research design was used to determine the influence of entrepreneurial characteristics on the growth of small and medium enterprises among the owners/managers and employees of some selected textile industries in Nigeria. Primary data were collected using structured questionnaire. Owners/managers and employees of these selected textile industries in Nigeria were contacted and relevant data on the influence of entrepreneurial characteristics on the growth of their enterprises were obtained. The purpose of the study was properly explained to them after which their consent was

sought for and the copies of questionnaire were consequently administered. Respondents were assured of the confidentiality of the information they gave.

Both descriptive and inferential statistics were used to analyze the data collected. Data on demographic information were analyzed with simple percentage and frequency distribution table. The first hypothesis was analyzed with multiple regressions to establish the impact of Need for Achievement on the growth of their enterprise; the other two hypotheses were analyzed with Spearman's rank correlation to establish the relationship among innovation, Self-efficacy and growth of their enterprise

IV. RESULTS AND DISCUSSION

This is divided into two parts. The first part focused on the descriptive analysis of responses gathered using the frequency counts and percentage weights. The second part focused on the testing of hypothesis using Regression analysis and Spearman's Rank Correlation statistics.

Majority of the respondents representing 99(59.3%) are male while 68 (40.7%) are female as shown in the Table 1 below

	Frequency	Percentage	N=167
Gender			
Male	99	59.3%	
Female	68	40.7%	
Marital Status			
Single	62	37.7%	
Married	105	62.9%	
Age			
20-30	32	19.2%	
31-41	55	32.9%	
42-52	74	44.3%	
53 & above	6	3.6%	
Education qualification			
Secondary	33	19.8%	
HND/B.Sc.	97	58.1%	
M.Sc & above	37	22.3%	

Source: Questionnaire Response from Owners/Managers of Textile Industries in Nigeria

Table 1: Socio Demographic Characteristics of Respondents

QUESTIONS	SD	D	N	A	SA
	%	%	%	%	%
I spend a lot of time making an organization I belong to function better	5 3%	4 2.4%	18 10.8	85 50.9%	55 32.9%
I try to achieve results even when the tasks assigned to me are difficult	4 2.4%	11 6.6%	17 10.2%	70 41.9%	65 38.9%
I will not be satisfied unless I have reached the desired level of results	3 1.8%	8 4.8%	16 9.6%	80 47.9%	60 35.9%
I do my work in a way to achieve my goals	2 1.2%	11 6.6%	17 10.2%	76 45.5%	61 36.5%
I never put important matters off until a more convenient time	3 1.8%	7 4.2%	25 15%	79 47.3%	53 31.7%
Even though people tell me it cannot be done I will still persist	2 1.2%	15 9.0%	20 12%	75 44.9%	55 32.9%

Source: Questionnaire Response from Owners/Managers of Textile Industries in Nigeria

Table 2: Frequency and Percentage of Impact of Need for Achievement on the Growth of SMEs

Table 2 shows the Owners/Managers perception of Need for Achievement and its potential impact on SMEs.

QUESTION	SD	D	N	A	SA
	%	%	%	%	%
I believe that to be successful in business you must spend some times everyday developing new ideas	7	14	31	59	56
	4.2%	8.4%	18.6%	35.3%	33.5%
I always think of how to do the same thing in a different ways	25	29	39	36	38
	15.0%	17.4%	23.4%	21.6%	22.8%
I always try to invest new uses for routine objects	13	24	36	44	50
	7.8%	14.4%	21.6%	26.3%	29.9%
People always seek for my help in creative activities	3	11	28	58	67
	1.8%	6.6%	16.8%	34.7%	40.1%

Source: Questionnaire: Response from Owners/Managers of Textile Industries in Nigeria

Table 3: Frequency and Percentage of Impact of Innovation on the Growth of SMEs

Table 3 shows the Owners/Managers perception of Innovation and its potential impact on SMEs.

QUESTION	SD	D	N	A	SA
	%	%	%	%	%
I don't give up on action until I achieve its goals	6	20	52	55	34
	3.6%	12%	31.1%	32.9%	20.4%
If I cannot do a job for the first time I keep on trying until I succeed	2	15	20	75	55
	1.2%	9.0%	12%	44.9%	32.9%
When I make plans, I am certain I can make them work	2	7	23	79	56
	1.2%	4.2%	13.8%	47.3%	33.5%
When I set important goals for myself I do everything possible to achieve them	11	15	27	63	61
	6.6%	9.0%	10.2%	37.7%	36.5%

Source: Questionnaire: Response from Owners/Managers of Textile Industries in Nigeria

Table 4: Frequency and Percentage of Impact Self-efficacy on the Growth of SMEs

Table 4 shows the Owners/Managers perception of Self-efficacy and its potential impact on SMEs

HYPOTHESES TESTING

H_{01} : Need for achievement has no significant effect on the growth of SMEs

Model	Sum of Square	Degree of freedom	Mean Square	F	Sig.
Regression	20.829	1	20.829	186.737	0.017
Residual	18.404	165	0.112		
Total	39.234	166			

Table 5: Analysis of Variance showing effects of Need for achievement on the growth of SMEs

Decision rule: Reject H_0 , if the p-value in the analysis of variance table is less than 5% and accept if otherwise.

Decision: Since the P-value in the ANOVA Table (0.017) is less than 5%, we reject H_0 . Therefore, Need for Achievement has a significant effect on the growth of SMEs

H_{02} : There is no significant relationship between Innovation and the growth of SMEs

		SMEs Growth	Innovation
Spearman's rho	correlation coefficient	1.000	0.029
Entrepreneurship Education	Sig (2-tailed)		0.642
	Number of observation	167	167
Entrepreneurial Skills	correlation coefficient	0.029	1.000
	Sig.(2-tailed)	0.642	
	Number of observation	167	167

Table 6: Spearman's Rank Correlation Table

Decision rule: Reject H_0 , if p-value is less than 0.05 and accept if otherwise.

Decision: Since the p-value (0.029) of the spearman's rank correlation is less than 0.05, we reject H_{02} . Therefore, there is a statistically significant relationship between Innovation and growth of SMEs

H_{03} : There is no significant relationship between entrepreneurship education and emergence of students' owned entrepreneurial organizations.

		SMEs Growth	Self-efficacy
Spearman's rho	correlation coefficient	1.000	0.779
Entrepreneurship Education	Sig.(2-tailed)		0.026
	Number of Observation	167	167
Emergence of Students's owned Entrepreneurial Organization	correlation coefficient	0.779	1.000
	Sig.(2-tailed)	0.026	
	Number of Observation	167	167

Table 4.9: Spearman's Rank Correlation Table

INTERPRETATION: The Spearman's rank correlation table above reveals a strong positive correlation coefficient value of 0.779 between Self-efficacy and SMEs growth

Based on the estimated results, 50.9% of the respondents agree that they spend a lot of time making an organization they belong to function better while 2% disagree. This indicates a positive relationship between need for achievement and growth of SMEs. The results also revealed that 41.9% of the respondents agree with the statement that they try to achieve results even when the tasks assigned to them are difficult while 6.6% disagree with the statement. It is also shown in the results that 47.9% of the respondents agree that they will not be satisfied unless they have reached the desired level of results while 4.8% disagree. The results showed that 45.5% agree that they do their work in a way to achieve their goals while 6.6% disagree. 47.3% agree that they never put important matters off until a more convenient time while 4.2% disagree. 44.9% agree that even though people tell them it cannot be done they will still persist.

Also in the results, it is shown that 35.3% believe that to be successful in business you must spend some times everyday developing new ideas while 8.4% disagree. 21.6% agree that they always think of how to do the same thing in a different ways while 17.4% disagree. 26.3 agree that they always try to invest new uses for routine object while 14.4% disagree.

34.7% agree that people always seek for their help in creative activities while 6.6% disagree.

The estimated results also showed 32.7% agree that they don't give up on action until they achieve its goals while 12% disagree. 44.9% agree that if they cannot do a job for the first time, they keep on trying until they succeed while 9% disagree. 47.3% agree that when they make plans, they are certain they can make them work while 4.2% disagree. 37.9% agree that when they set important goals for themselves they do everything possible to achieve them while 9% disagree

These findings are consistent with the findings of prior studies such as Durotoye (2014), Nsubili (2012), Wekesa, Gathunga, Maalu, and Wainaina (2016) that have shown growth to be an important part of entrepreneurial characteristics, thus making the relationship between growth and entrepreneurship significant. The findings also give support to the work of Brush and Blackburn (2009) which concluded that some firms that desire growth must inculcate entrepreneurial characteristics into their business

V. CONCLUSION

Based on the empirical investigation conducted, need for achievement has a significant effect on the growth of SMEs.. There is a statistically significant relationship between innovation and growth of SMEs. There is a statistically significant relationship between self-efficacy and growth of SMEs which indicates a correlation between entrepreneurial characteristics and the growth of textile industries in Nigeria. These relationships demonstrate that entrepreneurial characteristics play significant roles on the growth of SMEs in Nigeria. Arising from the findings, entrepreneurial characteristics have been found to have effects on the growth of SMEs. This implies that acquisition of entrepreneurial characteristics should be emphasized. The practice where firms copy one another is imbalance with innovation and self-efficacy necessary for firm growth. Firms must be possessed with improvements, receptive to new challenges and adopting wide range of new ideas.

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