

JOURNAL OF ASIA ENTREPRENEURSHIP AND SUSTAINABILITY

REFEREED EDITION - ISSN 1176-8592

EDITORS: ROSEL FONACIER & JENS MUELLER

VOLUME III, ISSUE 1

© 2006, JOURNAL OF ASIA ENTREPRENEURSHIP AND SUSTAINABILITY
NO REPRODUCTION OR STORAGE, IN PART OR IN FULL, PERMITTED WITHOUT
PRIOR PERMISSION.

EDITORS@ASIAENTREPRENEURSHIPJOURNAL.COM

EVALUATION OF THE IMPACT OF ENTREPRENEURIAL CHARACTERISTICS ON THE PERFORMANCE OF SMALL SCALE MANUFACTURING INDUSTRIES IN NIGERIA

Adegbite, S.A.¹; Ilori, M.O.²; Irefin, I.A.² and Abereijo, I.O¹; Aderemi, H.O.S.³

¹ Centre for Industrial Research and Development, Obafemi Awolowo University, Ile-Ife, Nigeria.

² Technology Planning and Development Unit, Obafemi Awolowo University, Ile-Ife, Nigeria.

³ National Centre for Technology Management, Obafemi Awolowo University, Ile-Ife, Nigeria

ABSTRACT

Introduction: The research study evaluated the impact of entrepreneurial characteristics on the performance of small-scale manufacturing industries in Nigeria. This is with a view to identifying these entrepreneurial characteristics and the factors that influence their translation to optimum business performance.

Method: Primary data, through structured questionnaire, were collected from the samples of 100 firms randomly selected from among the small-scale manufacturing industries engaged in food and beverage; textile and wearing apparel; wood and wood products; chemical and pharmaceuticals; and fabricated metal products.

Analysis: Data were analysed using descriptive and inferential statistics with the aid of Statistical Packages for Social Scientists (SPSS). Also, the correlation analysis and regression analysis were carried out to examine the relationship between contextual variables and business performance.

Results: The results showed that human resource factors and the sales revenue were found to be inadequate and severely inhibited the potential of the entrepreneurs for performance and growth. However, length of years in business and working experience were found to have positive contribution on their performance. While majority (7) of the 10 Personal Entrepreneurial Characteristics (PEC) of the respondents made negative contribution on the sales revenue, only demand for efficiency and product quality, information seeking; and systematic planning and monitoring had positive impact.

Conclusion: The study concluded that the negative attributes exhibited by the respondents in most of the PEC were critical factors in the dismal performance of the small-scale manufacturing industries, which need to be developed in the entrepreneurs through training.

INTRODUCTION

Perception of African entrepreneurship among scholars and researchers seem to differ considerably. At one extreme is the view that, for one reason or the other, technical entrepreneurial talent that involves the establishment and management of manufacturing industries for productive activities in the real sector of the economy, is lacking in Africa. According to a World Bank study carried out by Nils-Henrik Morch in 1995, the poor growth performance of most sub-Saharan countries and, in particular, the slow rate of industrialization could be taken to support such a dismal perception. However, the study

further proposed an alternative view that entrepreneurial talent is indeed available but that the economic environment have been such as not to allow this talent to develop.

Supporters of this view may point to the fact that the kind of economic policies that have been followed in many African countries in the two to three decades after political independence have not always been conducive to private enterprise. This position is consistent with a third view by Adjebeng-Asem (1989) that the African entrepreneur is alive and well, but that he or she, rather than undertaking manufacturing businesses, has been diverted to non-productive, rent-seeking activities which researchers have referred to as commercial entrepreneurship.

In spite of this critical gap in Africa's development process, researchers and scholars around the world have long identified the role of entrepreneurs and entrepreneurship in the economic development of nations. For instance, Dozie (2005) argues that this vital factor of production formed the bedrock of the classical thesis of Joseph Schumpeter (1934) who established that no nation would break the barriers of development without a critical mass of entrepreneurs. This assertion, which formed the basis of Schumpeterian model of economic growth, has helped many developed and even developing nations to accelerate their pace of development by focusing on appropriate incentives to support entrepreneurial activity (Dozie, 2005). It is the entrepreneurs who generate the critical momentum an economy requires for economic growth by breaking new grounds in human endeavour as a result of the vital characteristics or attributes they possess.

Unfortunately, after more than four decades of import substitution strategy, structural adjustment programme (SAP), commercialization and privatization of ailing state-owned enterprises and general economic decline, the manufacturing sector's contribution to the Gross Domestic Product (GDP) in Nigeria is still very small. It is plagued by low productivity and low-quality output. This is compounded by the consequent increase in competition from imports, which has resulted in downsizing or outright closure of many manufacturing industries. Therefore, the extent to which the restructuring of the private sector as the engine of growth of the economy will succeed is dependent on the fostering and development of technical entrepreneurship among the indigenous population.

In addition, theoretical and empirical investigations have emphasized the crucial role that technological innovation and technical entrepreneurship play in fostering economic development. These investigations are now seen as crucial and are also recognized as important components of technology policy and economic planning. For instance, the present emphasis by government and stakeholders on indigenous technical innovation and entrepreneurship stems from the failure of past attempts through the import substitution strategy to stimulate development by borrowing or transferring advanced and sometimes inappropriate and unsustainable technologies from developed countries.

This position was further reinforced by Adjebeng-Asem (1989) where it was argued that governments in most developing economies such as Nigeria were criticized for paying

inadequate attention to the need for accelerated economic growth and for not harnessing the abilities of their own citizens for technological innovations and entrepreneurship. Critics also conclude that these developing countries depend on exogenous technologies that are inappropriate for their environment (ibid, 1989).

This has been responsible for Nigeria's exports which have largely been based on raw materials and semi-manufactured goods with the petroleum sector as the most important. Less than 5% of these exports are on the average attached to knowledge intensive goods and services (Adjebeng-Asem, 1989 and Akeredolu-Ale, 1975). The problems became acute in the 1980's and early 1990's, when Nigeria experienced stagnating industrial output and decreasing crude oil prices while industrialization through the production of indigenous technological development became central topics in the industrial policy debates. As a result of this, United Nations Development Programme (UNDP, 1992) and United Nations Industrial Development Organisation (UNIDO, 1994) argued that if Nigeria is to join the league of industrialized economies, industrial activities have to converge and focus more on knowledge-based production particularly in the small scale manufacturing and processing industries.

This view was partially enunciated in the various development plans, national budgets, rolling plans and in the current reform programmes elaborated in the National Economic Empowerment and Development Strategy (NEEDS) (Federal Government of Nigeria, 2004). The central theme of the policy has been that small-scale industries should spearhead the nation's drive towards economic recovery. Studies have shown that small industries in many countries provide the mechanism for promoting indigenous entrepreneurship, enhancing greater opportunities per unit of capital invested and aiding the development of local technology (Sule, 1986, Nils-Henrik and Morch, 1995).

In Nigeria, small-scale businesses represent about 90% of the industrial sector in terms of the number of enterprises. They also account for 70% of national industrial employment if the threshold is set at 10 – 50 employees, contribute 10% of manufacturing output and a meager 1% of gross domestic product (GDP) in 2001 (Ajayi, 2002). Similarly, they have also contributed significantly to economic development through employment, job creation and sustainable livelihood (Nigerian Investment Promotion Commission, 2003).

In spite of their significance and contribution of small industries to the national economy, many problems and constraints still exist in promoting their development and growth. For instance, an International Labour Organisation (1994) study shows that inadequate technical entrepreneurial talent particularly affects the development of small-scale manufacturing and processing industries. While large scale industries can be established with expatriate capital, small industries need to have a domestic entrepreneurial and industrial base.

Another obstacle to the modernization of small industries are the persistence of a low level of technology, the shortage and inadequate entrepreneurial skills of operators and

the absence of an effective management techniques (UNIDO, 1994). Their low product quality makes it difficult for them to compete in a technologically driven, knowledge-based and export oriented globalized economy. There is therefore the need to tap the considerable R&D efforts that take place at universities, polytechnics, monotecnics and other public and private sector research institutions through increased commercialization or technology transfer of research results. However, this can only be achieved through a deliberate intervention strategy of developing a core of characteristics among the small industry operators to enhance production efficiency, quality and output.

The failure of past efforts by small industry operators and the little intervention by government necessitate the need to assess why indigenous technical innovations, management practices and other key success factors in business are often not translated into feasible business ventures despite the fact that the country has the technological need. These issues according to researchers such as Akeredolu-Ale (1975), Afonja (1986) and Adjebeng-Asem (1989) imply a link between technical innovation, nascent entrepreneurship and a much broader level of technological development. The present study focused mainly on a narrow aspect of the link of nascent entrepreneurial characteristics and its effect on the development and growth of small-scale manufacturing industries.

Against this background, the research study assessed the impact of technical entrepreneurial characteristics on the performance of small-scale manufacturing industries in Nigeria.

Entrepreneurship and Small Industry Development

In the literature on entrepreneurship, there is a broad consensus among policy makers, researchers and practitioners that a fundamental cause of difficulties experienced by many developing countries such as Nigeria is lack of technical entrepreneurship. This is manifested in the low rate at which small-scale manufacturing industries are created and at the high rate of mortality in the sub-sector (Ajakaye, 1999). It is particularly evident in Nigeria where there are many barriers militating against the development and growth of the real sector that is the bedrock of any economy.

Such barriers inhibit entrepreneurial progress in the country despite a number of strengths and opportunities that encourage the prevalence of “creative imitators” rather than “innovators” with low level of entrepreneurial talent (Umo, 2001). Adegbite and Van-Hattum (2002) suggest that the main prerequisite for such progress in Nigeria is the development of an institutional framework and enterprise culture capable of creating the optimum condition for technical entrepreneurship. Unfortunately, a number of models perceived to be relevant in international context have not been effective in Nigeria due to lack of a holistic, equitable approach to industrial development and socio-economic transformation.

This has necessitated the need for this study to critically examine how technical entrepreneurial characteristics affect the start-up of small-scale industries and their subsequent performance.

The Concept of Entrepreneurship

Throughout the theoretical history of entrepreneurship, scholars and researchers from multiple disciplines such as anthropology (Steward, 1991), psychology (Shaver and Scott, 1991), sociology (Reynolds, 1991), economics (Kirchoff, 1991), management (Stevenson, 1985) and technology (Roberts, 1991) and (Litvak and Maule, 1999) cited in Tonge (2002) have grappled with a diverse set of interpretations and definitions to conceptualize this abstract idea. A further search of the literature also reveals that researchers have been inconsistent in their definition of entrepreneurship. There are a minimum of a hundred definitions to explain the concept of entrepreneur and entrepreneurship. Their meanings depend on when they were devised and on the society in which the various researchers developed them (Di-Masi, 1999).

In the last century, many writers have identified entrepreneurship with the function of uncertainty and risk bearing and others with the coordination of productive resources, the introduction of innovation and the provision of technical know-how (Hoselitz, 1952) cited in Burnet, (2000). During the sixteenth century, people who organized and managed military and exploration expeditions in France were called “entreprendre”. The word entrepreneur originates from the French verb, “*entreprendre*” and the German word “*unternehmen*” both of which means to undertake (Afonja, 1999). In the Oxford Dictionary, an entrepreneur is defined as one who organizes, manages and assumes the risks of a business enterprise.

The early 18th century French economist Richard Cantillon (circa 1755) introduced the term entrepreneurship. In his writings, he formally defines the entrepreneur as the agent who buys means of production at certain prices in order to combine them into a new product. He further defines entrepreneurship as self-employment of any sort where the entrepreneur is the bearer of uncertainty and risk. Shortly thereafter, the French economist Jean Baptiste Say (1824) defines the entrepreneur as someone who shifts economic resources out of an area of lower to an area of higher productivity and greater yield. He added to Cantillon’s definition by including the idea that an entrepreneur is one who brings other people together in order to build a single productive organization. But Say’s definition, according to Peter Drucker (1985), does not tell us who the entrepreneur is. And since Say coined the term almost two hundred years ago, there has been lack of consensus over the definition of entrepreneur and entrepreneurship.

In the 19th century, British economists such as Adam Smith, David Ricardo and John Stuart Mill defined the concept of entrepreneurship under the broad English term of

business management (Burnett, 2000). However, Schumpeter (1947) argues that whereas the writing of Smith and Ricardo suggests that they likely undervalued the importance of entrepreneurship, Mill actually stresses its significance for economic development and growth. He further claims that entrepreneurship requires “no ordinary skills” and laments the fact that there is no good English language equivalent word to encompass the specific meaning of the French term entrepreneur

The necessity of entrepreneurship for production was also recognized by Alfred Marshall in 1890 when he asserted in his treatise of Principles of Economics that there are four factors of production i.e. land, labour, capital and organization. Entrepreneurship, both technical and commercial, is the driving element behind organization. He further argued that the skills associated particularly with technical entrepreneurship are rare and limited in supply and that the ability of entrepreneurs are so great and so numerous that very few people can exhibit them all in a very high degree. Another research carried out by Penrose (1959) posit that entrepreneurship, particularly technical entrepreneurial activity, involves identifying opportunities within the economic system, filling market deficiencies through input-completing activities including the process of identifying, developing and bringing a vision to life. This vision may be an innovative idea, an opportunity or a better way of doing something. The end result of this process is the creation of a new venture, the expansion of an existing one carried out under conditions of risks and considerable uncertainty (Meyer et. al., 1976).

Therefore, in recognition of the considerable risks and uncertainty associated with entrepreneurship, Afonja (1999) made a clear distinction between technical entrepreneurship and commercial entrepreneurship. The former involves product manufacture or the provision of technical services while the latter involves trading, buying and selling or provision of non-technical services. The prerequisites for success and risk factors involved differ significantly for the two types of entrepreneurship. Therefore, the focus of this study is on the effect of technical entrepreneurial characteristics on the performance of small industry manufacturing operators in the food, textiles, and wood processing and fabricated metal products all of which are generally important in the industrialization of a developing economy such as Nigeria.

The Entrepreneur

A number of attributes have been suggested as predictors of central behaviour with some degree of consensus. These studies have tended to examine in some detail the synonyms and adjectives used to described entrepreneurs since they tend to identify what makes an entrepreneurial personality characterized by certain traits. For instance, Rasheed (2002) suggested that the following are the most relevant: need for achievement, creativity and initiative, risk taking and setting objectives, self-confidence and internal locus of control, need for independence and autonomy, motivation, energy, commitment and persistence. The entrepreneur is the individual that identifies the opportunity, gather the necessary resources, creates, and is ultimately responsible for the performance of the

organization. However, the above definitions should not be taken to discount the importance of the traits and characteristics of the entrepreneur from the perspective of their propensity to act and the influence of the social, cultural, psychological, political and economic contextual factors.

These models, particularly the one focusing on the entrepreneur, recognize that before organizations, there are pre-organizations (Van de Ven, and Romifin, 1987). Initially, they exist only as thoughts, ideas or dreams of an individual. Through the business creation or start up process, the founder's thoughts are sometimes, but not always, translated into a pre-organization, that is an attempt to found, and then, sometimes, but not always, a business organization (Mazzarol, 1999) cited in Tonge (2001). Central to this process is the founding individual, and early and other contemporary research in entrepreneurship focused therefore on the entrepreneur. It sought to determine what personality characteristics distinguished entrepreneurs from non-entrepreneurs, and examine the influence of these characteristics on business organization formation rates (Tonge, 2001).

For instance, such factors as the need for achievement (McClelland, 1965); risk taking propensity (Brockhaus, 1980); locus of control (Brockhaus, 1982); desire for personal control of business (Sexton and Bowman, 1983); opportunity seeking, risk taking and innovation, demand for efficiency and product quality, persistence in searching for suitable technology, commitment, information seeking to enhance production efficiency, goal setting, systematic planning and monitoring, persuasion and networking with trade groups and associations, support institutions and large-scale industries (McClelland, 1969 and United Nations Centre for Transnational Corporation (UNCTC), 1988) have been identified and examined as possible traits or characteristics associated with entrepreneurial behaviour.

In addition, other background factors or human capital related to individual personality have been discussed. Some of these include previous employment (Storey, 1982); family background (Scott and Twomey, 1988); age and gender (Buttner and Rosen, 1989); education (Storey, 1982) and religion (Weber, 1930) cited in Tonge (2002). Altogether, the combination of personal characteristics with background factors or human capital makes some individual more likely entrepreneurial candidates than others (Tonge, 2002). Therefore, to summarize the model for this research study, we argue that one of the main factors influencing a new small-scale manufacturing industry creation and subsequent performance is an interactive process in which entrepreneurial personal characteristics interact with human capital, particularly education (technical and management), and other salient events in the environment to influence decisions concerning new venture creation, performance and growth.

Therefore, a deeper understanding of the biographical traits (age, gender, experience, education etc.), personality and characteristics of the entrepreneur are needed to assess

their technical and managerial competence for small business start-up, growth and sustainability.

METHODOLOGY

Study Area and Sample Population

The study was carried out in Oyo State of Nigeria. Oyo State is situated in the Southwestern part of the country and is notable for various types of small, medium and large-scale manufacturing industries. However, the vast majority of indigenous enterprises in Nigeria are owner-managed private small-scale businesses. These manufacturing industries are defined by the Central Bank of Nigeria and Bankers Committee (2001), as those with a capital outlay of between N1 million and N50 million, excluding the cost of land and working capital, and employing between 10 and 50 full-time workers.

The main participants and the dominant activities in the small-scale sub-sector are in the area of food processing, textile and wearing apparel, metal fabrication and foundry, agricultural raw materials processing, saw milling, woodwork and furniture, leather processing, chemical and pharmaceutical and so on. Therefore, the focus of this study was a purposely selected sample of 100 owner-managed small-scale industries engaged in food and beverage processing; textile and wearing apparel; wood and wood products; chemical and pharmaceuticals; and fabricated metals.

The questionnaire was the main instrument of the study. However, some structured in-depth interviews were also conducted. Secondary data were also collected from annual reports of the trade associations, specialized journals and published articles.

A number of measures were taken to ensure the validity and reliability of the questionnaire used in this study. The use of equivalent questionnaire items was employed. A first draft of the questionnaire was made. This was pre-tested on ten small-scale manufacturing industries with two questionnaires each administered for each of the five sub-sectors. Furthermore, a team of three experts moderated the questionnaire to ensure its relevance and reliability.

Data were analysed by using descriptive and inferential statistics. Descriptive statistics involved the use of frequencies, mean, and percentages. Inferential statistics were used to measure the relationship between variables with the aid of Statistical Packages for Social Scientists (SPSS). Correlation analysis was used to examine the relationship between the characteristics of the entrepreneurs and business performance while regression analysis was employed to examine the cause and effect relationship between contextual variables and business performance. Policy implications were drawn from the results obtained from the study.

Model Specification and Measurement of Variables

To assess the impact of technical entrepreneurial characteristics on the performance of small-scale manufacturing industries, a conceptual model was identified as relevant (Gibb and Tolentino, 1988). The model assumed that human capital, management of business resource factors and personal entrepreneurial characteristics have influence on the performance of the entrepreneurs.

Human Resource Factors

Legal status of the business was measured by the number of small-scale industry that has registered their business with the Corporate Affairs Commission either as a sole proprietor, partnership or private limited liability company. Gender was measured in terms of male and female. Age of the entrepreneurs was measured in years. Marital status was measured by indicating married, single, divorced, widowed and separated and is measured as a dummy with married being 1 and others being 0. The level of education was measured in years of formal education and working experience was measured in the study by the number of years of working experience.

Personal Entrepreneurial Characteristics Factors

Regression statistics was used to analyze personal characteristics of the entrepreneurs.

$$\text{BPE} = f(x_i)$$

where $i=1, 2, 3 \dots\dots\dots 10$

A linear equation was chosen because it had the highest R² value.

RESULTS AND DISCUSSIONS

Proportional Distribution of Respondents by Sector

Table 1 shows that all the small scale manufacturing industries were classified into five (5) main industrial sectors of which the majority 46.1% engaged in Food, Beverage and Tobacco industry. Only 18.4% were engaged in metal fabrication while 13.2% each was engaged in wood and wood products, Chemical and Pharmaceuticals and only 9.2% of respondents in Table 1 were engaged in Textile and Wearing Apparels. It was earlier reported that the food processing industries contribute significantly to satisfying the basic needs in most African countries (Nils-Henrik and Morch, 1995). It is therefore not surprising that most of the respondents in this study were engaged in food processing industries (Table 1).

Table 1: Sectorial Distribution of the Respondents

| Variables | Frequency | Percentages |
|---------------------------------|-----------|-------------|
| Major line of business | | |
| (a) Food, Beverage and Tobacco | 35 | 46.1 |
| (b) Textile, Weaving Apparels | 7 | 9.2 |
| (c) Wood and Wood products | 10 | 13.2 |
| (d) Chemical and pharmaceutical | 10 | 13.2 |
| (e) Fabricated metals | 14 | 18.4 |
| Total | 76 | 100.0 |

Source: Field survey, 2006

About 38% and 4% of the firms in Table 2 operated as limited liability companies and partnerships respectively while majority (57.9%) were sole proprietorship form of business. This was because the cost of incorporating a limited liability company in Nigeria is very high while the process is also cumbersome. The findings support the studies in other developing countries where the process and high cost of registering and formalizing a business had forced many small-scale industries to operate as sole proprietor rather than limited liability company or partnerships with dire consequences for access to capital and other material resources necessary for expansion and growth of the business.

Table 2: Legal Status of Small-Scale Industries

| Variables | Frequency | Percentages |
|---------------------------------|-----------|-------------|
| Legal status of business | | |
| (a) Sole proprietorship | 44 | 57.9 |
| (b) Partnership | 3 | 3.9 |
| (c) Limited liability | 29 | 38.2 |
| Total | 76 | 100.0 |

Source: Field survey, 2006

Table 3 indicates that 89.5% of respondents were male while only 10.5% are female. Further analysis indicates that male respondents, (42.1%) were engaged in Food, Beverage and Tobacco whereas there was no female engaged in the wood and wood products industry. Tonge (2002) made a similar report that female entrepreneurs were generally less likely to be founder of manufacturing industries than male. Kourilsky (1980) also established that males had significantly higher entrepreneurial intentions than females.

Table 3: Gender Distribution of the Respondents

| S/N | Major Line of Business | Gender of Respondent | | Total |
|-----|------------------------|----------------------|--------|-------|
| | | Male | Female | |

| | | | | |
|----|-----------------------------|------------|-----------|------------|
| 1. | Food, Beverage and Tobacco | 32 (42.1%) | 3 (3.9%) | 35 (46.1%) |
| 2. | Textile and wearing Apparel | 4 (5.3%) | 3 (3.9%) | 7 (9.2%) |
| 3. | Wood and wood products | 10 (13.2%) | - (-) | 10 (13.2%) |
| 4. | Chemical and Pharmaceutical | 9 (11.8%) | 1 (1.3%) | 10 (13.2%) |
| 5. | Fabricated metals | 13 (17.1%) | 1 (1.3%) | 14 (18.4%) |
| | Total | 68 (89.5%) | 8 (10.5%) | 76 (100%) |

Source: Field survey, 2006

Table 4 shows that most, (60.53%) of the respondents, were between the age of 46 to 60 years whereas 17.11% were below the age of 45 years. The finding is contrary to the outcome of the research conducted in Britain by Reynold (1999), in Indonesia and India by Kirtiansen et. al., (2003) where it was disclosed that individuals between 25-44 years of age were the most active and successful entrepreneurs. However, the higher concentration of entrepreneurs between the ages of 46 years and above could be due to the fact that the younger generations are less disposed to establishing manufacturing businesses due to the risk and the long gestation period of investment. Instead, most of them are more inclined to engage in service oriented businesses that offers quick return on investment. These service businesses include non-productive, rent-seeking commercial entrepreneurship such as trading, buying and selling activities because of the kind of economic policies followed by the government in the past four decades after political independence (Adjebeng-Asem, 1989). According to Nils-Henrik Morch (1995), these economic policies coupled with the socio-political environment has not been conducive for the younger generation to develop the entrepreneurial talent needed to develop and grow the economy.

Table 4: Age Distribution, Marital Status and Training Skill Acquisition of Respondents

| | Age of respondent | Count | Percentage |
|--------------------------------|--------------------|-------|------------|
| (a) | 30 – 35 | 2 | 2.6316% |
| (b) | 36 – 40 | 8 | 10.5263% |
| (c) | 41 – 45 | 3 | 3.9474% |
| (d) | 46 – 50 | 21 | 27.632% |
| (e) | 51 – 55 | 13 | 17.105% |
| (f) | 56 – 60 | 12 | 15.789% |
| (g) | 61 – 65 | 11 | 14.474% |
| Marital Status of Respondents | | | |
| 1 | Married | 70 | 92.1% |
| 2 | Single | 3 | 3.9% |
| 3 | Widowed | 3 | 3.9% |
| | Total | 76 | 100% |
| Training and Skill Acquisition | | | |
| | 1. Formal training | 53 | 71.6% |

| | | | |
|---------------------------------|----|---|-------|
| 2.Experience from previous job | 10 | | 13.5% |
| 3.On the job experience | 8 | | 10.8% |
| 4.Exposure to others experience | | 3 | 4.1% |
| Total | 74 | | 100% |

Source: Field survey, 2006

Majority of the respondents, (92.1%) in Table 5 were married whereas 3.9% were either single or widowed. Reynolds (1999) and Fielden et. al., (2000) further established that there is a positive relationship between marital status and business performance. Married men and women worked harder and performed better in managing a business because of the social, financial and psychological support than single, divorced or widowed individuals because of family responsibility and commitments.

Majority, (71.6%) of the entrepreneurs acquired formal training, to enhance their operations. Fielden et. al., (2000) reported that skills and experience are very crucial to enterprise survival while experience from previous job, and on the job experience were also major key factors in enterprise duration, growth and survival. Majority (60%) of the firms had turnover of between 0.1 2.0 million Naira, and 18% of them were from food and beverage industry. The table further showed that about 16%, 8%, and 5% of the firms belonging to food, beverage and tobacco, textile and wearing apparels and metal fabrication and metal products respectively had turnover above 2.0 million naira.

The high turnover of the firms in the Food, Beverage and Tobacco and Textile and Wearing Apparels is in line with the proportional distribution of respondents by sector. This shows that most of the entrepreneurs surveyed were in the food processing industries. This finding supports the view by Nils-Henrik and Morch (1995) report which indicated that most Small Scale Industry operators engage in food processing which contributed significantly to the basic need in most African countries.

Table 5: Sales Turnover of the Firms in the different Industrial Sector

| Major Line of Business | Sales Turnover (Million) | | | | | |
|----------------------------|--------------------------|-----------|-----------|-----------|-----------|-----------|
| | 0.1-1.00 | 1.00-2.00 | 2.00-3.00 | 3.00-4.00 | 4.00-5.00 | 5.00-6.00 |
| Food Beverage & Tobacco | 17.5% | 18.4% | 9.5% | 4.6% | 2.2% | - |
| Textile & Wearing Apparels | 5.2% | 6.4% | 3.2% | 3.3% | 1.6% | - |
| Wood & Wood Product | 3.4% | 2.5% | 1.2% | 2.6% | 0.6% | - |
| Chemical & Pharmaceutical | - | - | 1.0% | 0.9% | - | 1.5% |

| | | | | | | |
|--|-------|-------|-------|------|------|-----|
| Fabricated Metal Product | 4.77% | 1.91% | 2.8% | 0.9% | 1.8% | - |
| Total (% Sales Turnover in the last Accounting Year) | 30.87 | 29.21 | 18.50 | 12.3 | 6.2 | 1.5 |

Source: Field survey, 2006

Regression Analysis

The regression equation obtained is shown in the equation 3 below.

$$Y = -0.307X_1 - 0.074X_2 - 0.23X_3 + 0.049X_4 - 0.017X_5 - 0.087X_6 + 0.11X_7 + 0.21X_8 - 0.53X_9 - 0.006X_{10} + 15.351 \dots \dots \dots (3).$$

The independent variables are the 10 personal characteristics. The regression analysis showed that all the ten personal entrepreneurial characteristics could only explain 19.7% of the variation in the sales turnover of the industries. This could be so because other variables such as age, training and skill acquired, working experience and capital outlay is not taken into consideration. However, out of the ten personal entrepreneurial characteristics, networking and persuasion was the only characteristics that affected the turnover significantly.

Table 6: Contribution of PEC to Sales Turnover (%)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .440a | .193 | .057 | 4.11549 |

Table 7: Linear Model of PEC to Total Annual Sales Turnover (N)

| Model | Unstand. Coeff. | | Stand. Coeff. Beta | T | Sig. |
|--|-----------------|------------|--------------------|--------|-------|
| | B | Std. Error | | | |
| (Constant) | 15.351 | 6.600 | | 2.326 | 0.023 |
| Persistence (X2) | -7.418E-02 | 0.406 | -0.033 | -0.183 | 0.855 |
| Commitment to Work Contact (X3) | -.225 | 0.465 | -0.077 | -0.483 | 0.631 |
| Opportunity seeking and initiative (X1) | -.307 | 0.433 | -0.134 | -0.710 | 0.480 |
| Demand for efficiency and product quality (X4) | 4.935E-02 | .270 | .026 | 0.183 | 0.855 |
| Risk taking (X5) | -1.731E-02 | 0.340 | -0.007 | -0.051 | 0.960 |
| Goal setting (X6) | -8.700E-02 | 0.344 | -0.041 | -0.253 | 0.801 |
| Information seeking(X7) | 0.105 | 0.280 | 0.054 | 0.376 | 0.708 |

| | | | | | |
|---|------------|-------|--------|--------|-------|
| Systematic planning and monitoring (X9) | 0.208 | 0.237 | 0.123 | 0.881 | 0.382 |
| Networking and persuasion (X8) | -0.529 | 0.257 | -0.325 | -2.059 | 0.044 |
| Independence and self-confidence (X10) | -6.136E-03 | 0.023 | -0.034 | -0.269 | 0.789 |

Source: Field survey, 2006

From Table 7, sales turnover (y) would be 15.351 when all the independent variables are zero. Also, a unit increase in x1 would bring about a decrease of 0.307 in y. Similarly, when x2 increase by one unit, y would decrease by 0.074.

A high propensity for risk taking (x5) is desirable and necessary for wealth creation. The higher the risk, the greater the return on revenue or sales expected (Khilstrom and Laffront, 1979). However, in this study, a unit increase in the propensity for risk taking decreased the performance of the company by a proportion of 0.017. The negative propensity for risk taking on the sales turnover could also be a direct consequence of the average age of the respondents which is between 46-60 years. In the literature on entrepreneurship, there is an inverse relationship between the age of an entrepreneur and propensity for risk-taking. Entrepreneurs between the ages of 25 – 44 years have a higher risk-taking propensity and are more active than those from 45 years and above.

The respondents also exhibit a low desire for goal setting (x6). This is shown by a unit increase x6 which led to a decrease in the turnover of the firms by a proportion of 0.087. This has impacted negatively on the ability to be pro-active, to anticipate problems and take actions to prevent them. However, according to Ibrahim and Ellis (1993), a strong desire to set goals and objectives and to carry them out has been documented as a driving force for many entrepreneurs. This has not been the case with the respondents and particularly explains the decrease of (-0.087) units for every Naira of sales turnover. In addition, respondents did not show enough disposition and commitment to work. Therefore, the negative attributes exhibited by the respondents in their ability to set goals and objectives, anticipate problems and evolve strategies to cope with them is also responsible for the poor performance of the small scale industries.

The negative coefficient (-0.023) of x3 indicates that a unit increase in x3 produced a reduction of 0.023 unit in the turnover of the firms. This result showed that the respondents did not show enough dispositions to work. Stewart et. al., (1999) reported that negative attitudes to work affect the output, productivity, sales turnover and profitability of businesses. The lack of personal sacrifice by the entrepreneur and the workers leads to breach of contract, lack of customer satisfaction and loss of goodwill. These impacted negatively on performance and growth of the businesses.

Another characteristic of an entrepreneur (x3) opportunity seeking and initiative has a coefficient of -0.037. This indicates that a unit increase x1 would decrease performance of the firm by 0.37. It also showed that respondents were not exploring better ways to accomplishing their tasks through access to new technology, inventions, creative imitations and improved process technology to enhance product quality. This result is

contrary to findings in the literature. For instance, Kirzner (1973) argues that the process of discovery through opportunity seeking is a proximate issue of entrepreneurship. Stevenson et al (1986) also posit that technical entrepreneurship is driven mainly by the perception of opportunity while Timmons et al (1987) maintain that opportunity recognition is the most important step in the entrepreneurial process.

Economic and social networks are very useful in assembling the resources needed for starting and managing manufacturing industries (Burnett, 2000). However, in this study, networking and persuasion (x8) has a negative coefficient (-0.021) This implies that for a unit increase in networking and persuasion (x1) brings about a decrease of 0.021 in the performance output. This is a clear indication that efforts are not being made to use networks to gather information on resources available and how to acquire and harness the resources. This could be due to the fact that most of the respondents were not networking for mutual benefit with other members of their trade associations. The negative result of this trait may also indicate that respondents were not persuasive enough in the business interaction through effective communication with customers, suppliers and competitors.

An entrepreneur mastery over the tasks and problems encountered in a business requires specific independence of thought and self-confidence (x10). Unfortunately, for a unit increase in the unit of this characteristic (x10), there is a corresponding decrease of 0.006 in the turnover of the firm. However, this is contrary to Peacock (2000) cited in Tonge (2002) study which showed that most successful entrepreneurs had mastery over tasks and problems which they encounter.

In the literature on entrepreneurship, innovation, creativity and the persistence (x2) as identified by Drucker (1985) are essential qualities of technical entrepreneurs. However this variable has a negative coefficient of 0.0074 which indicates that for a unit increase in X2 in this study, there is decrease of 0.0074 in the naira sales turnover. This could be as a result of the requisite knowledge for the management of innovation among small enterprises in the study area.

CONCLUSION AND RECOMMENDATIONS

The study draws attention to the need for evolving strategies for enhancing the performance of entrepreneurs in Nigeria. For instance, the study concludes that the negative propensity for risk-taking is a direct consequence of the ageing population of entrepreneurs. There is need to develop a crop of potential entrepreneurs among the youths by incorporating entrepreneurship education into the school curriculum at all levels of the educational system. Specialized training programmes in entrepreneurship should be organised to expose potential and existing entrepreneurs to risk-taking strategies inherent in self-employment and wealth creation.

Also, the education system should incorporate business management courses in schools curriculum through the use of case studies and business simulation clinics. This will

assist to develop and enhance the ability of future entrepreneurs to be proactive, to anticipate business related problems, to set goals and objectives and be better prepared for the world of work.

In addition, entrepreneurs must be exposed to various sources of information and business opportunities available both in Nigeria and external environment. To achieve this, government agencies and research and development (R&D) organisations, as well as non-governmental organisations, and development partners should develop and organize business awareness workshops and disseminate information on investment opportunities available locally and internationally. These strategies will expose entrepreneurs to sources of raw materials, new and improved process technologies, domestic and foreign markets and other information necessary for business survival and growth.

REFERENCES

- Adegbite and Van-Hattum. (2002): “Multi-Bilateral Programme on Technical Cooperation: A Report on Entrepreneurship Education in Vocational and Tertiary Level Institutions in Nigeria”, (Lagos, Nigeria: UNDP and ILO)
- Adjebeng-Asem (1989): “Translating Technical Innovation into Entrepreneurship in Nigeria: Social and Policy Implications”, Technology Policy and Practice in Africa, IDRC Publications, Chapter 14.
- Afonja, A.A. (1986): “Materials, Energy and Environment”. An Inaugural Lecture, Faculty of Technology, University of Ife, Ife Nigeria.
- Afonja, A. A. (1999): Entrepreneurship Education and Enterprise Culture: Lessons from other Countries”, Paper presented an National Conference on Entrepreneurship Education in Nigeria Tertiary Institutions, Abuja, Nigeria, March 30-April 1, 1999.
- Ajakaye, J. (1999): “Entrepreneurship Education and Training in Nigeria: Problems and Prospects in the Informal Sector”, Paper presented an National Conference on Entrepreneurship Education in Nigeria Tertiary Institutions, Abuja, Nigeria, March 30-April 1, 1999.
- Ajayi, O.A. (2002): “Development of Small Scale Industries in Nigeria”. Being paper presented at Workshop on Grassroots Advocacy and Economic Development. September 11-13.
- Akeredolu- Ale, E.O. (1975): The Underdevelopment of Indigenous Entrepreneurs in Nigeria. (Ibadan: University Press).

- Brockhaus, R. H. (1980): "Risk Taking Propensity of Entrepreneurs". *Academy of Management Journal*, 23 (3) 509-520.
- Brockhaus, R.H. (1980): "Psychological and Environmental Factors which Distinguish the successful from Unsuccessful Entrepreneur: A Longitudinal Study". *Academy of Management Proceedings*, 368-372.
- Brockhaus, R.H. (1982): "The Psychology of the Entrepreneur.". In *Encyclopedia of Entrepreneurship*, 39-57, New Jersey, Englewood Cliffs.
- Burnett, D. (2000): "Hunting for Heffalumps: The Supply of Entrepreneurship and Economic Development" (in *Technopreneurial.com*), *History of Entrepreneurship Theory*, pp. 1-3.
- Central Bank of Nigeria (2001): *Guidelines for Accessing the Small and Medium Industry Equity Investment Scheme*, A Publication of the Bankers Committee, Lagos.
- Cunningham, J. B. and Lischeron, J. (1991): "Defining Entrepreneurship". *Journal of Small Business Management*, 29, 45-61.
- Di-Masi, P. (2004): "Defining Entrepreneurship". Generated at e-mail pauljude@centrin.net.id.
- Driessen, P. M. and Zwart, P. S. (1997): "The Role of the Entrepreneur in Small Business Success". *The Entrepreneurship Scan*, (Netherlands: University of Groningen Press).
- Drucker, P. (1954): *The Practice of Management*. (New York: Harper and Row).
- Drucker, P. (1985): "Entrepreneurial Strategies". *California Management Review*, Vol. 27, No.2, Winter.
- Drucker, P. (1985): *Innovation and Entrepreneurship: Practice and Principles*. (New York: Harper and Row).
- Federal Office of Statistics (2003): *Annual Abstract of Statistics*, (Abuja, Nigeria).
- Federal Government of Nigeria (2004): *National Economic Empowerment and Development Strategy*, A Publication of the Federal Ministry of Information and National Orientation, Abuja.

- Fielden et. al. (2000): "Barriers Encountered During Micro and Small Business Start-up in North-West England", *Journal of Small Business and Enterprise Development*, Vol. 7, No. 4.
- <http://www.bus.colorado.edu> (2004): Definition of Entrepreneurship.
- Ibrahim A. B. and Ellis W. H. (1993): *Entrepreneurship and Small Business Management*, (Iowa: Kendall/Hunt Publishing Co.)
- Irefin, I.A. (2005): *Technical Entrepreneurship. Lecture Notes for Course TPD 606: Technical Entrepreneurship and Venture Capital Management*, (Ile-Ife: Obafemi Awolowo University, Technology Planning and Development Unit (TPDU),
- Khilstrom, R.E. and Laffont, J.J. (1979): "A General Equilibrium Entrepreneur: Theory of Firm Formation on Risk Aversion", *Journal of Political Economy.*, 87,7,48.
- Kirzner, I. (1973): *Competition and Entrepreneurship*. (Chicago, Illinois: University of Chicago Press).
- Kourilsky, M. L. (1980): "Predictions of Entrepreneurship in a Simulated Economy". *The Journal of Creative Behaviour*, 14 (3), 175-199.
- Kristiansen, S., Furuholt, B., and Wahid, F. (2003): "Internet Café Entrepreneurs: Pioneers in Information Dissemination in Indonesia". *The International Journal of Entrepreneurship and Innovation*, 4(4), 251-263.
- McClelland, D. C. (1965): "Need Achievement and Entrepreneurship: A Longitudinal Study". *Journal of Personality and Social Psychology*, 1, 389-392.
- McClelland, D. C. (1965): *The Achieving Society*. (Princeton, New York: Van Nostrand Press).
- McClelland, D. C. and Winter, D. G. (1969): *Motivating Economic Achievement*. (New York: The Free Press).
- New Partnership for African Development (2003): "African Renaissance 2003: Entrepreneurship and Small Business Management Development in Africa". NEPAD Conference Paper, Port Elizabeth, South Africa, 22-24 October, 2003.
- Meyer, H.H., Walker, W.B. and Litwin, G.H. (1961): "Motive Patterns and Risk Preferences associated with Entrepreneurship". *Journal of Abnormal Social Psychology*, 63, 570-574.

- Neck, P.A. and Nelson, R. E. (1987): *Small Enterprise Development: Policies and Programmes*, 2nd. (Revised) edition. Management Development Series (MDS 14), (Geneva, Switzerland: International Labour Organisation).
- Nigerian Investment Promotion Commission (2003): "Overview of Small and Medium Scale Enterprises in Nigeria". An Information Booklet, pp. 1-33.
- Nils-Henrik and Morch von der Fehr (1995): "The African Entrepreneur: Evidence of Entrepreneurial Activity and Firm Formation in Zambia", The World Bank, Working Papers, 1995/06/30.
- Ogundairo, R. (2001): "Financing of Small and Medium Industries: The SMI Credit Bond Option". Paper presented at Workshop on Grassroots Advocacy and Economic Development. Organized by Nigerian Association of Small Scale Industrialists and the Fredriech Neumann Foundation, Oyo State, Ibadan. September 11-13.
- Penrose, E. (1959): *The Theory of Growth of the Firm*, (New York: Wiley Press).
- Rasheed, H. S. (2002): "Developing Entrepreneurial Characteristics in Youths: The Effect of Education and Enterprise Experience". *International Journal of Entrepreneurship Education*, 2 (1), 21-36.
- Reynolds, P. (1999): "Nascent Entrepreneurship in Northern Europe, in EIM (Ed.)" *Entrepreneurship in the Netherlands*. (The Hague/Zoetermer: EIM/EZ).
- Say, J.B.(1824): *A Treatise on Political Economy* (Translation). Punscap, C.K., trans. 4th ed. (Boston, Massachusets: Wells and Lilly Press).
- Schumpeter, J. (1934): The Theory of Economic Development. (Cambridge, Mass: Harvard University Press).*
- Schumpeter, J.A. (1947): *Capitalism, Socialism and Democracy*. (New York: Harper and Row Press).
- Sexton, D. L. and Bowman, N. (1983): "Determining Entrepreneurial Potential of Students". *Academy of Management Proceedings*, 408-411.
- Stevenson, H. (1985): "A New Paradigm for Entrepreneurial Management. In Kao and H. Stevenson (Eds.)" *Entrepreneurship: What it is and How to teach it*, (Boston. HBR Press).
- Stevenson, H. H., *et.al.* (1986): *New Ventures and the Entrepreneur*. (Homewood, Illinois: Irwin Press).

- Stevenson, H.H., and Jallo, J.C. (1990): “A Paradigm of Entrepreneurship: Entrepreneurial Management”. *Strategic Management Journal*, 11, 17-27.
- Stewart, W. H., Watson, W.E., Carland, J. C. and Carland, J. W. (1999): “A Proclivity for Entrepreneurship: A Comparison of Entrepreneurs, Small Business Owners and Corporate Managers”. *Journal of Business Venturing*, 12 (2), 189-214.
- Storey, D. (1982): *Entrepreneurship for Small Firm*. (London: Groom Helm).
- Storey, D.J. (1991): “The Birth of New Firms – Does Unemployment Matter?: A Review of the Evidence”. *Small Business Economics*, 3, 167-178.
- Storey, D.J. and Johnson, A.M. (1987): *Job Generation and Labour Market Change*, (London: McMillan Press).
- Storey, D. J. (1987): “Strategic Intention”. *The International Journal of Entrepreneurship and Innovation*, 4 (1), 265-274.
- Sule, E. I. K. (1986): “Small Scale Industries in Nigeria: Concepts, Appraisals of some Government Policies and Suggested Solutions to Identified Problems”. *Economic and Financial Review*. Central Bank of Nigeria, Vol. 24/4 p.24.
- Timmons, J.A. Mazyka, D.F., Stevenson, H.H. and Bygrave, W.D. (1987): “Opportunity Recognition: The Core of Entrepreneurship”, in N.C. Churchill, et al. (Eds.), *Frontiers of Entrepreneurship Research*, Wellesley, MA: Babson College.
- Tonge, J. (2001): *A Review of Small Business Literature, (Part 2): “Birth, Growth and Death of The Small Business”*, Working Paper Series, Manchester Metropolitan University Business School.
- United Nations Centre on Transnational Corporation (1988): “Empredore Technologies (EMPRETEC)”, An Entrepreneurship Training Programme developed by UNDP and UNCTC, 1988.
- United Nations Industrial Development Organisation (1980): *Developing Industrial and Technological Manpower in the African Countries: A Proposed Framework of Action*. (Lagos, Nigeria: Organisation of African Unity Secretariat), p. 129.
- United Nations Industrial Development Organisation (1988): *Regenerating African Manufacturing Industry: Country Briefs – Studies in the Rehabilitation of African Industry*. (Vienna, Austria: UNIDO Regional Industrial and Country Studies Branch), No. 2, pp. 1-33.
- Van der Wess and Romifin, H. (1987): *Entrepreneurship and Small Enterprise Development for Women in Developing Countries: An Agenda of Unanswered*

Questions Discussion Paper Based upon Research. (Geneva: International Labour Office, Management Development Branch), pp 3 and 67.

Weber, M. (1930): The Protestant Ethic and the Spirit of Capitalism, (London, United Kingdom: Allen and Unwin Press).