



An Analysis of Entrepreneurial Competencies of Owners/ Managers of some Selected Small Business Firms in Northern Nigeria

¹Matthew Apeh Adejoh, PhD & ²Adama J. Idris

¹Department of Hospitality Management
The Federal Polytechnic, Bauchi, Bauchi State

²Department of Business Administration and Management
The Federal Polytechnic, Nassarawa, Nassarawa State

Abstract

This research investigated the entrepreneurial competencies of the owners/managers of some selected small business firms in the northern Nigeria. The study was motivated by the perception that there is a high failure rate of small business in Nigeria. It sought to assess and analyse the entrepreneurial competencies of owners/managers relative to concepts and extant literature. A self-rating questionnaire was administered to the participants. Data collected were subjected to one Sample t-test. The study has demonstrated that owners/managers of small firms have both strengths and weaknesses. While the owners/managers possess relationship and commitment competencies, they lack significantly in the areas of opportunity, conceptual, organizing and strategic planning competencies. The implication of this is high incidence of backwardness, failures and closures which are associated with absence of or low opportunity scanning, initiative, persuasiveness, assertiveness, self-confidence, systematic planning and problem-solving competencies. It is recommended that entrepreneurs should constantly engage in skill update through information – seeking, training and development.

Keywords: *Entrepreneurial Competencies, Entrepreneurs, Small Firms*

Background to the Study

Recent observations by researchers and analysts have decried the rate of business failure in Nigeria. Some of the reasons advanced for this ugly situation include harsh operating conditions, absence of international best practices, absence of functional entrepreneurial competencies, infrastructural short coming, inadequate government support, structural challenges, among others. If this development is allowed to continue, the realization of some of the 17 goals of the proposed Sustainable Development Goals (SDG) will remain elusive. Specifically, goals 2 and 8 emphasize poverty eradication in all its ramifications everywhere and promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Therefore, this research is justifiable in that it addresses a most significant sector that contributes valuably to the vision of the SDG. As a matter of fact, the small and medium enterprises are dominating the stage of development in many nations. The broad rationale for the development of small and medium enterprises is that they contribute significantly to job creation, poverty alleviation, decreasing the welfare burden and national economic development.

With particular attention to small and medium firms in the Northern Nigeria, this research seeks to analyse the entrepreneurial competencies of the owners/managers of some selected small companies in the service industry and to discover the competency gaps of the owners/managers of those small companies. It was hypothesized that owners / managers of small firms do not show strong competency traits for each competency area ($H_0: \mu \leq 5.0$ and $H_1: \mu > 5.0$)

Objective of the Study

The objectives of this paper is to examine what owners/managers of small firms show strong competency traits in managing their businesses.

Literature Review

Contextual Framework

The concept of entrepreneurship was first established in the 1700s, and its meaning has evolved over the years. Though many simply equate it with starting one's own business, the economists describe entrepreneurship as the ability and willing to bear the risk of a new venture (Ogechukwu 2011)

Van Aardt, Van Aardt, & Bezuidenhout(2000) explain “entrepreneur-ship” as the act of initiating, building and expanding an enterprise or organisation, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain. Contributing, Lowe & Marriott (2006) perceive entrepreneurship as being both business ownership and a learnable skill. The argument presented is that entrepreneurship – like any other skill or competency – is something that people can learn and develop. Entrepreneurship is seen as a process associated with opportunity scanning, team building and management of limited resources. Drucker (1909-2005) describes the entrepreneur as someone who actually searches for change,

responds to it, and exploits change as an opportunity. The success of an entrepreneur is linked to many factors. Global Entrepreneurship Monitor (2000) reveals that the educational and competency levels of owners/managers are the key factors determining the survival of a business beyond the start-up phase. Entrepreneurial competencies are the skills necessary for an entrepreneur to venture into an enterprise, organize and manage an enterprise ably and competently and to realize the goal for which the enterprise is established. In the words of Man & Lau (2000),

A „competency? can be considered as a kind of higher level characteristic, encompassing different personality traits, skills and knowledge which are, in turn, influenced by the entrepreneur's experience, training, education, family background and other demographical variables

Lowe & Marriott (2006) highlights entrepreneurial competencies to include traits such as: initiative, persuasive powers, ability to connect with other people, moderate risk-taking ability, flexibility, creativity, independence, problem-solving skills, foresight, a need for achievement, imagination, positive response to changes, self-confidence, leadership, perseverance, energy, resourcefulness and profit orientation.

The behavioral competencies acquired will determine the type of behavior exhibited by the entrepreneur in performing various tasks in the discharge of his functions. Some of these competencies are latent in the entrepreneur, which need to be identified, nursed and nurtured.. Others are acquired through training and practice.

Jaafar Ramayah, & Osman (2004) in Makhura (2011) identify the following core behavioral competencies:

- i. Initiative
- ii. Systematic planning
- iii. Creativity and innovation
- iv. Risk taking and Risk Management
- v. Problem solving
- vi. Persistence
- vii. Quality performance
- viii. Information management
- ix. Persuasion and influencing abilities

On a broader scale, Man & Lau (2000) classify six competency areas with their associated behavioural focus as follows

1. Opportunity competencies relating to recognizing market opportunities through various means, e.g. opportunity scanning, assertiveness, networking
2. Relationship competencies relating to person-to-person or individual-to-group-based interactions, e. g. customers service management
3. Conceptual competencies relating to different conceptual abilities which are reflected in the behaviours of the entrepreneur, e.g. abstract thinking, problem solving, model application

4. Organising competencies relating to the organisation of different internal and external human, physical, financial and technological resources
5. Strategic competencies relating to setting, evaluating and implementing the strategies of the firm, e. g. human resource planning, total quality management, diversification
6. Commitment competencies relating to abilities that drive the entrepreneur to move ahead with the business. e. g persistence, dedication, time management.

Kolade (2013) emphasizes entrepreneurial competencies as being critical for corporate success and recommends that boards of companies must ensure that they have qualified persons who are capable of driving organizations towards realization of their vision

Methodology

The population of this study comprised owners and managers of small firms or companies, from north-east, north-west and north central, including hotels, restaurants, agro-chemical supply companies, beauty salons, wholesale and retail services, which are majorly patronized in northern Nigeria.. Forty-eight owners / managers were randomly selected as participants based on convenience and ease of access. At least, 8 respondents each were chosen from Bauchi, Gombe, Kaduna, Kano, Plateau, and Benue states

Man & Lau (2000)'s model of six main competency areas was adopted in the construct for this study. A self-rating questionnaire involving factors or behaviours relating to each of the competency areas was designed and administered to obtain information from the respondents. Such characteristics of the entrepreneurial competencies that make up the sub construct include opportunity scanning, initiative, persuasion, assertiveness, self-confidence, systematic planning, problem-solving, persistence, information-seeking, concern for high quality of work, commitment to work, use of influence strategies Each respondent was required to rate himself on every variable (competency trait) as it best described him on a 10 - point scale ranging from 'Not at all true of me' (1) to 'Perfectly true of me' (10) . Lower score represents weak competence while higher score represents strong competence. For the purpose of easy analysis, the average rating to the nearest whole number was found for each competency area on the traits / behaviours surveyed.

A survey technique was adopted in the collection of data. Students on industrial attachment assisted in the follow up and collection of the questionnaire. Thirty – eight out of the forty – five questionnaires returned were considered useful and analysed.

Data collected were analysed by means of descriptive statistics and nonparametric tests using SPSS 21. A one sample t-test was performed to determine the strength or weakness of each entrepreneurial competency examined. A mean score of <5.0 was considered as weak for measuring the strength of each competency area in the t-test. Inferences from the contextual literature were drawn to complement the data analysis.

Results and Discussions

Thirty – eight out of forty-eight questionnaires initially distributed were eventually useful for analysis. From the analysis of demographic characteristic of the respondents, 25 (65.8%) were males and 13 (34.2%) females with SD = 0.48; 7 (18.8%) were holders of WASCE / SSCE, 9 (23.7%) ND / NCE, 18 (47.4%) HND / BSc, and 4 (10.5%) Masters with SD = 0.92; and their years of experience include 1 – 5, 14 (36.8%), 6 – 10, 11 (28.9%) and above 10 years, 13 (34.2%) with SD = 0.85. Looking at their levels of qualification and years of experience in operation, it is fair to conclude that the participants have basic understanding to supply the needed information.

A one Sample t-test was performed at $\alpha = 0.05$ to determine the strength or weakness of owners / managers .i. e. to determine whether the population mean differ statistically significant from the sample –estimated population mean. The stated hypothesis is $H_0 : \mu = 5.0$ and $H_1 : \mu > 5.0$.

Mean opportunity competency score (4.42 ± 1.22) was lower than the population 'normal' competency score of 5.0. Others are Relationship competencies (6.42 ± 0.95) greater, Conceptual competencies (4.71 ± 1.25) lower, Organising competencies (4.82 ± 0.96) lower, Strategic competencies (4.87 ± 1.02) lower and Commitment competencies (7.05 ± 0.87) greater. By implication, the owners / managers of small firms show strong competencies for relationship and commitment while they exhibit weakness in the other competency areas.

Table 1 Shows the Statistics for the Competencies Analyzed
Table 1: One-Sample Statistics

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Opportunity competencies	38	4.4211	1.22213	.19826
Relationship Competencies	38	6.4211	.94816	.15381
Conceptual Competencies	38	4.7105	1.25004	.20278
Organising Competencies	38	4.8158	.98242	.15937
Strategic Competencies	38	4.8684	1.01798	.16514
Commitment Competencies	38	7.0526	.86828	.14085

Table 2: T-test Results

One-Sample Test

	Test Value = 5					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Opportunity competencies	-2.920	37	.006	-.57895	-.9807	-.1772
Relationship Competencies	9.239	37	.000	1.42105	1.1094	1.7327
Conceptual Competencies	-1.428	37	.162	-.28947	-.7004	.1214
Organising Competencies	-1.156	37	.255	-.18421	-.5071	.1387
Strategic Competencies	-.797	37	.431	-.13158	-.4662	.2030
Commitment Competencies	14.573	37	.000	2.05263	1.7672	2.3380

From the t-test in Table 2 above, two sets of results are available. Opportunity, relationship and commitment competencies show statistically significant mean difference at $\alpha = 0.05$, $p = .0006$. However, conceptual, organizing and strategic competencies are not statistically significant at $\alpha = 0.05$, as p-Value = 0.162, 0.255 and 0.431 respectively.

Therefore, there is enough evidence to suggest that the population mean for opportunity, relationship and commitment competencies differs significantly from the estimated sample mean of 5.0. Hence, while the managers are very strong in relationship and commitment competency behaviours, they are very weak in opportunity scanning traits. On the other hand, we fail to reject the null hypothesis for conceptual, organizing and strategic competencies. There is no enough evidence to suggest that their population mean differ significantly statistically from the test mean. On average, the negative mean differences show that the owners / managers of small companies lack adequate skills for concept application, organizing and strategic planning.

The findings of this study concur and compare favourably with those of Man & Lau (2000), Spencer (1993) and Jaafar *et al* (2004). While the study coincides with these previous studies on the issues of relationship building and commitment competencies, a deviation occurs on the centrality of opportunity scanning, organizing conceptual and strategic planning competencies.

Conclusion

Managers and owners of small business firms in the northern Nigeria show strong entrepreneurial competencies in relationship and commitment. This translates into saying that they possess abilities for persuasion, persistence, concern for high quality work, commitment to work, and use of influence , However, on the downside, they lack

strong resolve for opportunity scanning, initiative, assertiveness, self-confidence, systematic planning and problem-solving which are achieved through opportunity, conceptual, organizing and strategic planning competencies. This condition explains the reasons why most of the emerging small businesses fold up sooner than they come on board. There is a significant relationship between entrepreneurial competencies and firm performance. The global business arena is constantly evolving and entrepreneurs must seek to keep pace through practice, information-seeking and training.

Though the results of this study may not be generalized because of the limited number of managers and owners surveyed, it has provided an insight into what areas these entrepreneurs need attention for success. Managerial and technical competencies are valuable assets that no business oriented individual must allow to elude him.

Recommendations

This paper recommends;

1. Frequent updating of skills through training and development which can significantly increase the index of success.
2. Training should address development of skills such as assertiveness, opportunity scanning, time management, conflict resolution, problem solving, and financial management, among others.
3. Seminars, symposia and short course through the platform of government machinery and entrepreneurial networking is possible alternatives in this drive.

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