Entrepreneurial Competencies: SMEs Performance Factor in the Challenging Nigerian Economy

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Abstract
Myriad of challenges engulfed the Nigerian business milieu. Business activities become more complex and competitive which renders the environment not only difficult for business success but resulting to the increasing failure of SMEs in the country. However, entrepreneurs need to develop strategies to survive in the dwindling economy. It is the duty of the entrepreneurs to interact with the external environmental dynamisms, which require them to be competent in many dimensions. This review proposes a set of competencies that can equip the entrepreneurs with necessary skills and tactics to excel in a challenging economy like that of Nigeria. The paper highlights the conceptualization and synergy between competencies and entrepreneurship on SMEs performance through three distinct paths: entrepreneurial traits, innovation and entrepreneurial marketing.

Key words
Entrepreneurial competencies, entrepreneurship, Nigeria, performance, SMEs

JEL Codes: L26, O31

1. Introduction
Small and Medium Enterprises (SMEs) are the backbone of the contemporary economic development due to the significant role they play in the sustainability of the world economic development (Carter and Tamayo, 2017; Wattanapruttipaisan, 2002). SMEs account for more than 90 percent of businesses, contribute to more than 50 percent of employment and over 50 percent of gross domestic products (GDP) in the world (Kessey, 2014).

In Africa, the commonest business entities are SMEs. The enterprises contribute significantly to the provision of employment, the formation of capital, economic viability and poverty alleviation among others (Ganyaupfu, 2013). Today, Africa’s growing economy sees SMEs as the mechanism for achieving growth and excellence (Roldan, 2015). The sector provides substantial employment and stimulates economic growth. For example, in Ghana, the sector constitutes 92 percent of businesses in the country (Steel and Webster, 1991). In South Africa, Ganyaupfu, (2013) confirmed that 91 percent of all the registered business entities fall under SMEs and constituting about 52 to 57 percent of the country’s GDP. However, in Nigeria, a number challenges overwhelmed the country’s business milieu, which renders the environment not only difficult for business but resulting to the increasing failure of SMEs in the country. Studies established that 85 percent of businesses in the country do not survive beyond the first five years of their establishment (Ogboru, 2005; Olul and Haynes, 2006; Ariyo, 2008). Moreover, even the little percentage that manages to sustain beyond five years, collapse between sixth to tenth years of their existence which leaves only around 5 to 10 percent of the SMEs in business (Onugu, 2005). Despite the effort and contribution of the Nigerian government to the development of SMEs, yet the input of the enterprises including micro businesses to the country’s exportation is as low as 7.27 percent (SMEDAN, 2013). The lack of entrepreneurial competencies has been identified as the leading cause of business failure in the country (Inyang and Enuoh, 2009). Therefore, the need for entrepreneurial competency become necessary as it provides practical solutions to the mystery of business downfall (Sánchez, 2013).

Entrepreneurial competencies are the set of related skills, attitude and knowledge that an entrepreneur must procure or have to empower him with skills to deliver extraordinary achievement and increase the business profit. These competencies are the main performance elements of SMEs. Hence, they merit serious attention when it comes to entrepreneurship development and sustainability as well as eradication of the embarrassing mystery of poverty among Nigerians (Inyang and Enuoh, 2009). Consequently, there is need to strengthen research on SMEs owner’s competencies to ensure the performance of enterprises in Nigeria (Kareem, 2015).

2. Literature review

2.1. Entrepreneurial competencies

Competency is defined as the underlying characteristic of a person that is causally linked to a higher job performance (Megahed, 2015). Likewise, UNIDO defines competency as a set of related knowledge, attributes and skills that give an individual the capability to perform an activity or task within a particular function or job (Paulienè, 2017). Competency can be defined to comprise three main features: Knowledge, skills and traits. In other words, competencies mean a cluster of related Knowledge, skills, attitudes and characteristics which have a substantial impact and improve a person’s job.
Entrepreneurial competencies can be developed through research, training and development (Mojab et al., 2011). Therefore, entrepreneurial competencies are sets of qualities or constellations associated with the successful development of SMEs. These competencies are expressed as the underlying traits of a person, which result in effective action and superior performance in a job (Davis et al., 2004).

Competencies as the characteristics of entrepreneurs that differentiate excellent from average or poor entrepreneurial performance are a cluster of knowledge, behaviours, skills and abilities (Wu, 2011; Athey and Orth, 1999). Similarly, Man, Lau, and Chan, (2002) view entrepreneurial competencies as nothing but a bunch of high-level characteristics which includes knowledge, skills and personality traits. Entrepreneurial competencies lead enterprises to achieve sustainable competitive advantage and eventually result in the achievement of business success and growth (Man et al., 2002). Tehseen and Ramayah, (2015) stressed the need for the understanding of the significance of entrepreneurial competencies more especially in the developing economies because entrepreneurs’ competencies are vital for business survival, performance and success. However, the measurement of entrepreneurial competencies varies depending on the context, prediction and assumption (Mitchemore and Rowley, 2010).

Therefore, in the Nigerian business milieu, as established by numerous scholars, the leading competencies related obstacles that result in poor performance and failure of businesses in the country are; lack or ineffective innovation, unfavourable marketing strategies, lack of distinctive entrepreneurial traits (Duru, 2011; Eneh, 2010; Onugu, 2005; Adeoti, and Adeoti, 2005; Siyanbola et al., 2012). Therefore, for the purpose of this study three indicators which include a cluster of entrepreneurial traits, innovation and entrepreneurial marketing are considered as entrepreneurial competencies which is in consistent with the findings of many researchers like (Sidik 2012; Al Mamun and Ekpe, 2016; Terziovski, 2010; Sok, O’Cass and Sok, 2013) among others.

3. Entrepreneurial competencies and SMEs performance

3.1. Entrepreneurial traits

Entrepreneur’s traits refer to the attributes, knowledge, characteristic, skill or ability of the entrepreneur that contribute to the successful performance of the job (Shane, 2003). The definition of entrepreneurial traits throughout the literature faces ambiguity on terminology. Some studies use words like characteristics, quality and attitude interchangeably to describe the specific features entrepreneurs might have that differentiate them with non-entrepreneurs and lead to performance (Goolsbee, 2013). Therefore, to avoid confusion, the word ‘trait’ will be used in this study to describe that distinguishing personal characteristics or qualities of the entrepreneur. According to Kaur and Bains (2013), the entrepreneurial trait is the cumulative knowledge, experience, attitude and skill which entrepreneurs gain during their life experience for the perfect performance of a job. Therefore, researchers believe that each stage of an entrepreneurial lifetime has some specific and suitable traits for better performance. Moreover, those entrepreneurial traits are personal characteristics that facilitate performance. However, Morris et al., (2013) are of the opinion that traits of the entrepreneur consist of measurable and observable behaviours, skills, knowledge and attitudes that are significant in the performance of a job. Such traits assist in differentiating achievers from laggards (Mamun and Ekpe, 2016).

According to Karabulut (2016), the locus of control is an entrepreneurial trait; defined as the amount of control an individual has over his life. Internal locus of control is the peoples believe that their decision can influence their life while external locus of control is individuals believe that their lives are influenced by an external factor like luck, destiny, and other people that they cannot control and so on. It is expected that people with internal locus of control can be entrepreneurs because they have the entrepreneurial intention and they can determine their career path. Entrepreneurs who manage to survive in business for at least three years have a higher locus of control than those who fail within the period. Several studies stressed that internal locus of control has a positive influence on entrepreneurial performance.

The next trait is the need for achievement. Gürol and Atsan (2006) stressed that need for achievement is an entrepreneurial trait that indicates the desire of an individual to succeed. Most people with high need for achievement develop entrepreneurial intention, and they prove themselves as entrepreneurs who have the determination of establishing businesses in a competitive environment through their eagerness to success (Karabulut, 2016). The need for achievement can also denote the possession and ambition of being successful. Many types of research prove the significant effects of the need for achievement on entrepreneurship performance (Gürol and Atsan, 2006). According to McClelland, people that become entrepreneurs are those with higher ambition and desire to be successful. Rauch and Frese (2007) in a meta-analysis found a positive relationship between entrepreneurial behaviour and the need for achievement. Also, McClelland classifies entrepreneurs who possess strong desire to succeed as those who have a higher need for achievement (Onuma, 2016). Risk tolerance is also one of the entrepreneurial traits frequently discussed. Many studies acknowledged the importance of risk tolerance on the performance of SMEs. Risk tolerance is one of the personality traits that shows the tendency and willingness of an individual to embrace uncertainty towards entrepreneurial activities which are usually full of
risks, the act of risk taking are inseparable from entrepreneurship (Karabulut, 2016). Sánchez (2013), reports that the propensity of taking risk is a typical dimension of entrepreneurs. While entrepreneurial behaviour is related to the ability to accept and moderate the level of risk to the minimum stage and that entrepreneur have high-risk tolerance than non-entrepreneurs or managers. Entrepreneurs consider risk tolerance as a predictor for job selection, which makes the main difference between the two categories of individuals (Sexton and Bowman, 1983). Risk tolerance can either lead to success or failure. Therefore, at every stage of entrepreneurial decision, entrepreneurs need to calculate the risk involved in any business they might embark into and measure the advantages and disadvantages of going with the risk (Stewart and Roth, 2004).

In general, entrepreneurial traits have been proven as a success factor for SMEs. Similarly, Pinho and Sa, (2014) examine the influence of entrepreneurial trait on a new ventures performance. The study collected data using survey questionnaires on various stakeholders such as financial institutions, associations and government. The study established a positive correlation between the variables. Hasan and Almubarak, (2016) examine entrepreneurial trait as a mediator for performance on women entrepreneurs. The traits were discovered to mediate entrepreneurial goals and motivation. Similarly, in a quantitative and cross-sectional survey study, conducted in Pakistan, Bajwa and Shahzad, (2017) explores the role of entrepreneurial personality traits as well as gender in entrepreneurial cognitive adaptability. The researcher discovers a significant impact of personality traits on cognitive adaptability, as estimated by the factor analysed using structural equation modelling.

3.2. Innovation

Innovation is an important corporate strategy. Many scholars have defined it as the adoption of new concepts or behaviour. It can be the introduction of new product, service, technology, or a new management approach. The positive effect of innovation on performance has been proven right in a significant number of empirical studies. For an organisation to survive in an uncertain and competitive environment, it has to value various types of innovation to survive and to grow (Li et al., 2010). Every enterprise must be able to develop a unique and innovative strategy to improve its business performance and sustain competitive advantage.

In a study conducted by Hilman (2015), the researcher tests the linkage between innovation strategy and the organisational performance. The study used mail question to some hotel managers in Malaysia and regression for the relationship testing. The study found a positive linkage between innovation and organisational performance. While Li et al., (2010) explore the impact of innovation activities (exploitative and exploratory innovation) on firm performance. The study focuses on internal and external fits of two constructs of innovation which are exploitative and exploratory innovation. They adopted a survey on 397 enterprises in western and eastern middle China and tested the hypothesis using hierarchical regression. The finding of the study shows a positive effect of both exploitative and exploratory innovation on firm’s performance. The study also discovers that environmental competitiveness can diminish the outcome of exploitative innovation but enhance the results of exploratory innovation. Furthermore, McDermott and Prajogo, (2013) examined a comparative relationship between exploitation and exploration innovation in small and medium service firms and business performance. They reviewed the interaction of the two types of innovations in the prediction of business performance. The researcher used a cross-sectional mail survey of 180 services SMEs managers in Australia. The result of the study revealed a significant and direct relationship between innovation orientation and firm’s performance. Moreover, ambidextrous (exploitative and exploratory innovation) was positively associated with the performance of the businesses.

McDermott and McDermott (2013) Used ANOVA to test the relative performance between two group of firms; small-sized versus medium-sized enterprises in the service sector based on innovative orientation and the effect of such on business performance. The researchers explored the impact of innovation on the performance of the SMEs, the differences each group possesses as well as the differences in innovative focus. The data were drawn from 180 small and medium enterprises in Australia, using questionnaires. The findings of the study did not reveal any difference between the two groups of firms regarding innovative orientation but found significant differences between their sizes. Also, the study concluded that exploitation innovation has a stronger effect on small enterprises business performance than it has in medium-sized enterprises while on the other hand, exploration indicates a more powerful effect on medium-sized business performance than the small ones. However, in general, the study proved a positive effect of innovation on SMEs performance.

3.3. Entrepreneurial marketing

Entrepreneurial marketing has risen as a marketing strategy, and it is suggested for business firms operating in a profoundly competitive environment. The motive of the marketing strategy is the undertaking of marketing activities using innovative, opportunity-driven and entrepreneurial approaches (Kilenthong et al., 2015). Beverland and Lockshin (2004)
defined entrepreneurial marketing as the adaptive or effective action of the theory of marketing to the particular needs of SMEs. That, those practical measures should be able to solve issues like restrictions regarding resources, opportunities, innovation and risk. Becherer et al. (2008) opined that Marketing for SMEs sector should be purely designated in an entrepreneurial way, as it is an untraditional and aggressive marketing approach, which provide firms with the techniques that assured business performance in spite the firm’s limited resources. Also, Eggers et al. (2012) argue to defend the view that entrepreneurial marketing is the best and suitable marketing approach for SMEs.

Previous studies acknowledge many constructs of entrepreneurial marketing, such growth orientation, value creation through networks, informal market analysis and customer orientation (Kilenthong et al., 2015; Bharadwaj et al., 2012). Kilenthong et al. (2016) test the relationship between entrepreneurial marketing and characteristics of the firm. The study contributes significantly to entrepreneurial marketing literature by empirically investigating the extent to which firms in six most frequently reported entrepreneurial marketing dimensions; growth orientation, opportunity orientation, value creation through networks, closeness to the market, informal market analysis and customer orientation positively affect performance.

3.3.1. Growth orientation

Most time, entrepreneurial marketing has a good relationship with growth, seizure of market opportunity, the creation of value through networking, customer orientation and informal analysis of the market as entrepreneurs do have long term marketing ambitions. Thus, they give more concentration in achieving growth in sales usually through a long run relationship (Kilenthong et al., 2015). Also, the primary distinction between entrepreneurs and mon-entrepreneurs is growth orientation. Entrepreneurial firms in most time start from grass root (small) and struggle to grow bigger. Bjerke and Hultman (2004) recognize entrepreneurial marketing to be the marketing strategy adopted by firms to grow through entrepreneurship.

3.3.2. Value creation through network

Conducting marketing activities using networks is another important concept when it comes to marketing in entrepreneurship. Marketers get vital information that assists them in penetrating the market through networks. They can use modern technology to create values through rendering unconventional services to customers or by satisfying the needs of the customers through the use of the technology. Entrepreneurial marketers establish a relationship with potential customers and gather information related to the market through established networks (Tolstoy, 2009). The network is a channel that facilitates firm’s delivery of excellent quality products to customers and creates a competitive advantage as well as entrepreneurial capital (Guo, 2002).

Some years back, customers were only considered as external sources of feedback and intelligence, but now, entrepreneurs integrate customers to be part of their operations, and the firms welcome feedback on a regular basis from the customers (Bharadwaj et al., 2012). Customer orientation is of top priority in entrepreneurial marketing and entrepreneurs possess skills like adaptability, flexibility and the ability to improvise to continue keeping up with dynamism in customers’ different needs. The flexibility assists the entrepreneurial marketers in providing a quick solution to changes towards customers’ preferences and the delivery of qualitative goods (Kilenthong et al., 2015). Prior researchers report customer orientation having a positive relationship with firm’s performance as entrepreneurs adapt and adjust their production strategy to go in line with their customer’s needs (Jones et al., 2013; Hultman and Shaw, 2003).

3.3.3. Informal market analysis

On general perspective, decision making in conventional marketing usually depends on formal plan and processes which are the backbone that guides the set goals and objectives. On the other hand, entrepreneurial marketing, in most cases depend on informal marketing procedures rather than formal market analysis. In the study of Sashittal and Jassawalla (2001), the researcher stressed that the marketing strategy in entrepreneurial firms could be emergent with the possibility of adjustment at any point of implementation. Matthews and Scott (1995) view the need of encouraging informal market analysis because most entrepreneurial firms struggle to survive in unstable environments. By considering informal market analysis, previous researchers testify that marketers follow their instincts in reaching decisions and judgement decisions intuitively. Even though researchers affirm the importance of formal marketing analysis, yet, the only insignificant number of SMEs entrepreneurs conducts the formal market analysis. However, they think it does not worth its cost in SMEs (Hills and Hultman, 2008; Kilenthong et al., 2015). The preference of conducting the informal market analysis might be due to the reach and intuitive understanding of the market as the entrepreneurs have frequent direct contact with their clients and customer (Hills and Hultman, 2008). Previous studies confirm that entrepreneurial firms get relevant market information through informal discussion and sharing with their clients and customers (Kilenthong, Hills and Hultman, 2015).
4. Conclusions

Entrepreneurial incompetency has been identified as the main factor for increasing business failure in Nigerian. Scholars established that 85 percent of businesses in Nigeria do not survive beyond the first five years of their establishment (Olu and Haynes, 2006; Ariyo, 2008). Moreover, even the little percentage that manages to sustain beyond five years, collapse between sixth to tenth years of their existence which leaves only around 5 to 10 percent of the SMEs in business (Onugu, 2005). Therefore, myriad of studies stressed the significance of entrepreneurial competencies more especially in developing economies like Nigeria because of the vital role it plays in business survival, performance and success. This review proposes a set of competencies that can equip the local entrepreneurs with the required skills and expertise to excel in a dwindling economy like that of Nigerian and it highlights the conceptualisation and synergy between competencies and entrepreneurship on SMEs performance through three distinct paths: entrepreneurial traits, innovation and entrepreneurial marketing. It will be a wise decision if entrepreneurs react proactively to these challenges by tackling the adverse effects of SMEs failure. Also, all other stakeholders including all tiers of government need to come together to confront these problems affecting SMEs in Nigeria as urgent as possible. Hence, the collapse of the sector can result to the loss of employment of millions of Nigerians, and that can eventually lead to poverty, hunger, crime, violence, urban unrest among others. Therefore, an immediate and urgent attention becomes necessary. Although the concept of entrepreneurship is used widely by government agencies and others stakeholders, for the achievement of economic development and business motives, the core concept of entrepreneurial competencies, its measurement and its relationship to entrepreneurial performance and business success need further rigorous research and development more especially in Nigeria.

References


