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## IMPACT OF ENTREPRENEURS INDIVIDUAL CHARACTERISTICS ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMES) IN NIGERIA.

<sup>1</sup>Ikupolati, A.O, <sup>2</sup> Olatunle, M.A., <sup>3</sup>Aliu, J.N,

<sup>4</sup>Medubl, R.D and <sup>5</sup>Ijaiya M.A

<sup>1</sup> & <sup>5</sup> Department of Entrepreneurship and Business Studies,  
Federal University of Technology, Minna, Nigeria.

<sup>2,3</sup> and <sup>4</sup> Department of Management Studies,  
Kaduna Polytechnic, Kaduna, Nigeria.

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### Abstract

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*The individual's role in entrepreneurship is derivable. Personal experience, knowledge, education and training are the accumulated human resources that the owner contributes to the enterprise. The study investigated the impact of Entrepreneurs' individual characteristics on the performance of Small and Medium Enterprise in Nigeria. This was achieved by establishing the influence of work experience of the entrepreneurs and examining how self-discipline of the entrepreneurs all impacted on the performance of Small and Medium Enterprises in Nigeria. This study was conducted in Kano, Kaduna, Lokoja, Onitsha, Port-Harcourt, and Lagos towns of Nigeria. These towns are cosmopolitan. A total of 304 questionnaires were sent out and administered to the respondents. 204 of the questionnaires were returned and useable, giving 67 percent of response rate. Data was analyzed using regression analysis to establish findings. The findings revealed that work experience and self-discipline as individual characteristics of entrepreneurs have impact on the performance of SMEs in Nigeria as can be seen in the rate of turnover and number of employees the SMEs generated. The study therefore recommended that entrepreneurs should start business which they have acquired skills through work experience and should have self-discipline so as to enhance the performance of the SMEs in Nigeria.*

**Keywords:** Entrepreneurs, Entrepreneurship, Performance and SMEs.

Self-discipline is of great value in all walks of life, and it is necessary for almost everything you do. Indiscipline at work and at home, in your private life and in your career. It awards you with inner strength, self-confidence and assertiveness helps you achieve greater success. Strong self-discipline supply you with inner strength, energy and power. Without self-discipline, people, circumstances and passing thoughts will control your life and divert you from the path to achievement and success.

### **Small and Medium Enterprises in Nigeria**

The development of Small and Medium Enterprises (SMEs) In Nigeria dates back to the early 1960's with the establishment of Industrial Development Centers which were intended to assist and provide a solid foundation for industrial development (Aremu, 2004). There was also a growing concern on low employment and the need for poverty alleviation measures. This led subsequent government administrations in Nigeria to initiate several policies/schemes with the aim of generating employment.

More recently the Nigerian government embarked on its 2011-2015 National Transformation Agenda which was targeted at creating more jobs and reducing poverty. Among the several policy measures initiated was the need for the strengthening of Small and Medium Enterprises Development Association of Nigeria (SMEDAN) which provides technical support for SMEs including business advisory and preparation of bankable feasibility study. The economic impact of SME's can be measured by their contribution to output, employment, income, investment, export and other economic indicators (Prasad, 2004). In most countries, the definition of SME's include cluster of small and medium enterprises based on number of employees. The Central Bank of Nigeria (2008) classifies service providers in cluster enterprise in the following order, small enterprises employ 1-49 persons, medium enterprises employ 50-99 persons and large enterprises employ 100 and above.

### **Theoretical Framework**

#### **Individual Characteristics**

Human capital theory explains the entrepreneurial outcomes of an individual's knowledge to the outcome value to a firm (Becker, 1962). Education provides a source of human capital because it enables individuals to gain explicit knowledge necessary for task performance. Functional knowledge of day to day business operations that is obtained through executive development seminars, workshops and conferences that are organised by Universities, vendors, etc provide the basis for building occupational and industry specific human capital, which enhances the job performance (Tesluk and Jacobs, 1998).

## Research Method

For the purpose of data collection, a survey questionnaire was conducted among notable entrepreneurs and registered SMEs as documented by the Corporate Affairs Commission directory of 2014. The research questionnaire was divided into three main sections, which evaluated the respondents' background, background of the firms and the performance factors of the firms. The questionnaire was designed mainly based on a likerts scale of five ordinal measures from one (1) to five (5) according to the level of importance. To test the content validity, the questionnaire was initially distributed to expert panel of 3, comprising of notable entrepreneur, statistician and academia knowledgeable in the areas of firm performance. This was followed by a pilot survey, 15 respondents of notable entrepreneurs with registered firms were collected and the questionnaire was then amended according to their comments before the actual feedback began. In the main survey, a total number of 304 questionnaires were sent out to entrepreneurs in Kano, Kaduna, Lokoja, Onitsha, Port-Hacourt, and Lagos towns. After four months period, 204 (67 percent) response rate of the questionnaires were returned and deemed useable. The data was analyzed by using standard regression analysis to establish the findings. However in the context of this study, firm performance is defined in terms of increase in firm turnover and number of employees.

## Results and Discussions

**Table 1: Reliability statistics**

Variable Description	Nature of variable	Cronbach Alpha	Number of items
Entrepreneurs individual characteristics	Independent variable	0.602	2

The reliability test conducted on the items using Cronbachs Alpha shows that the independent variable had a coefficient of 0.602. This depicted that the value of Cronbach Alpha is above the suggested value of 0.5, thus the study was reliable.

## Data Analysis

**Objective 1:** To establish the influence of work experience acquired by entrepreneurs on the performance of Small and Medium Enterprises in Nigeria.

### Descriptive Analysis

The study revealed that 86.8 percent of the respondents agreed that work experience of entrepreneurs is an added advantage to the performance of SMEs in Nigeria. From the study, entrepreneurs acquire substantial amount of skills and knowledge while operating their firms. Such work experience proves to be highly important for developing capabilities within SMEs as entrepreneurs with more years of work experience typically have better performing SMEs.

### Inferential Analysis

Performance was regressed on work experience of entrepreneurs. The relationship among the variables are depicted below

$$Y = BO + B_1 X_1$$

Where

Y = Performance of SMEs in Nigeria

BO = Constant (coefficient of intercept)

B<sub>1</sub> = Regression coefficient

X<sub>1</sub> = Work experience of entrepreneurs

Linear regression was used to measure the linear relationship between independent and dependent variables.

Table 1 shows that correlation coefficient (R) between work experience acquired by entrepreneurs and the performance of SMEs in Nigeria is 0.844 implying a strong linear relationship between work experience acquired by entrepreneurs and the performance of SMEs in Nigeria. The coefficient of R<sup>2</sup> adjusted is .523 indicating that 52.3 percent of the variation in the performance of SMEs in Nigeria was explained by work experience acquired by entrepreneurs.

**Table 1: Model Summary**

Model	R	R <sup>2</sup>	R <sup>2</sup> adjusted	Std error of estimate
1	.844	.712	.525	2.52933

a. predictor (constant), Work Experience acquired by Entrepreneurs.

Table 2 shows an ANOVA test performed on work experience acquired by entrepreneurs. It has a p-value equal to 0.000 which is less than (0.05), therefore conclude that the model is significant and therefore fit for use.

**Table 2: ANOVA**

Model	Sum of squares	df	Mean of squares	F	Sig
Regression	11.531	1	11.531	8.156	.000
Residual	5.702	4	1.426		
Total	17.333	5			

- a. Dependent variable: Performance of SMEs in Nigeria  
 b. Predictor (constant), Work Experience acquired by Entrepreneurs

Table 3 shows the linear relationship between work experience acquired by entrepreneurs and the performance of SMEs in Nigeria is  $Y = 6.994 + 2.329X_1$  where Y is the performance of SMEs in Nigeria and  $X_1$  work experience acquired by entrepreneurs. The P-value of the slope of the model .000 is less than (0.05) therefore  $H_0$  is rejected and it is concluded that work experience acquired by entrepreneurs have a significant role on the performance of SMEs in Nigeria.

**Table 3: Regression Coefficient**

Model	Unstandardized	Coefficient Std error	Standardized Coefficient	F	Sig
	B		B		
Constant	6.994	2.582		7.595	.004
Work experience acquired by Entrepreneurs	2.329	1.113	.146	9.296	.000

**Objective 2:** To examine how self-discipline of entrepreneurs affect the performance of small and medium enterprises in Nigeria.

### Descriptive Analysis

The study revealed 100 percent of the respondents agreed that the entrepreneurs need strong self discipline so as to have effect on the performance of the SMEs in Nigeria.

### Inferential Analysis

Performance was regressed on self-discipline of entrepreneurs. The relationship among the variables are depicted below.

$$Y = B_0 + B_2 X_2$$

where

- Y = Performance of SMEs in Nigeria
- BO = Constant (coefficient of intercept)
- B<sub>2</sub> = Regression coefficient
- X<sub>2</sub> = Self-Discipline

Linear regression was used to measure the linear relationship between the independent and dependent variables.

Table 4 shows that the correlation coefficient (R) between self-discipline of entrepreneurs and performance of SMEs in Nigeria is 0.601 implying strong linear relationship between self-discipline and the performance of SMEs in Nigeria. The coefficient of R<sub>2</sub> adjusted is .201 indicating that 20.1 percent of the variation in the performance of SMEs in Nigeria was explained by self-discipline of the entrepreneurs.

**Table 4: Model Summary**

<i>Model</i>	<i>R</i>	<i>R<sup>2</sup></i>	<i>R<sup>2</sup> adjusted</i>	<i>Std error of estimate</i>
1	.601	.361	.201	3.31816

a. Predictor (constant), Self-Discipline of Entrepreneurs.

Table 5 shows an ANOVA test performed on self-discipline of the entrepreneurs. It has a p-value equal to .002 which is less than (0.05) therefore it conclude that the model is significant and therefore fit for use.

**Table 5: ANOVA**

<i>Model</i>	<i>Sum of squares</i>	<i>df</i>	<i>Mean of squares</i>	<i>F</i>	<i>Sig</i>
Regression	19.021	1	19.021	10.405	.002
Residual	9.313	4	1.828		
Total	26.333	5			

- a. Dependent variable: Performance of SMEs in Nigeria
- b. Predictor (constant), Self-Discipline of entrepreneurs

Table 6 shows the linear relationship between self-discipline of entrepreneurs and the performance of SMEs in Nigeria is  $Y=12.250 + 6.052 X_3$  where Y is the Performance of SMEs in Nigeria and  $X_3$  is self-discipline of the entrepreneurs. The p-value of the slope of the model .002 is less than (0.05) therefore  $H_0$  is rejected and it is concluded that self-discipline of entrepreneur has significant role in the performance of SMEs in Nigeria.

**Table 6: Regression coefficient**

Model	Unstandardized Coefficient		Standardized Coefficient	F	Sig
	B	Std. error	B		
Constant	12.250	2.288		1.254	.003
Self-Discipline of entrepreneurs	6.052	1.035	.601	1.503	.002

a. Dependent variable: Performance of SMEs in Nigeria

### Discussion

The study established that majority (96 percent) of the respondents agreed that impact of entrepreneurs individual characteristics on the performance of Small and Medium Enterprises (SMEs) in Nigeria. Impact of entrepreneurs' individual characteristics was statistically significant in explaining the performance of Small and Medium Enterprises (SMEs) in Nigeria. Correlation Coefficient (R) for work experience is 0.844 implying a strong linear relationship between work experience acquired by entrepreneurs and the performance of SMEs in Nigeria. 52.3% of the variation in the performance of SMEs in Nigeria is explained by work experience acquired by entrepreneurs. Linear relationship between two variables is  $Y= 6.994 + 2.329X_2$ . this corroborates with the work of Kantis et.al (2004) which says among Latin American and East Asia entrepreneurs, contacts were found to be a key benefit of work experience, which was helpful in identifying business opportunities, obtaining financing and other resources and alleviating management and other resources and alleviating management challenges. Correlation coefficient (R) for self-discipline is 0.601 implying strong linear relationship between self-discipline of entrepreneurs and the performance of SMEs in Nigeria. 20.1% of the variation in the performance of SMEs in Nigeria was explained by self-discipline of the entrepreneurs. The linear relationship between variables is  $Y=12.250 + 6.062X_3$ . this also corroborate with the assertion of Igunsi (2008) that you need self-discipline to stick to your decision, goals and persevere until you carry them out.

Work experience acquired and self-discipline of entrepreneurs provide a source of human capital that enables individual entrepreneurs to gain explicit knowledge necessary for task performance.

### Conclusion

The study established that a majority (96 percent) of the respondents supported the argument that individual characteristics of entrepreneurs affect the performance of SMEs in Nigeria. Individual characteristics of entrepreneurs were statistically significant in explaining the performance of SMEs in Nigeria. Work experience is measured in terms of quality of work, time required to perform the activities and the individual job outputs. Self discipline of entrepreneurs has facilitated performance of SMEs.

$H_0$  is rejected for work experience because the p-value (0.000) is less than  $\alpha$  (0.05) and it conclude that work experience acquired by entrepreneurs have significant role in the performance of SMEs in Nigeria.  $H_0$  is rejected for self-discipline because the p-value (0.002) is less than  $\alpha$  (0.05) and it conclude that self-discipline of entrepreneurs have significant role in the performance of SMEs in Nigeria.

### Recommendations

1. The study recommends that entrepreneurs should be engaged in businesses in which they have acquired skills and experience, so that they can be personally involved in production of goods and services as it contribute to the growth to their firms.
2. The study recommends that entrepreneurs as part of their effort in improving upon individual characteristics should imbibe self-discipline as culture which can be further instill in the life of their employees which will eventually improve the performance of such firms, thus contributing to the growth of SMEs in Nigeria.

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