

Pro-Activeness and the Performance of Small and Medium Enterprises (SMEs) in Nigeria

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Abstract: *The objective of this study was to look at the relationship between pro-activeness and performance of SMEs in Nigeria. On average, the findings of the study showed that majority of the respondents agreed with the statements on pro-activeness has shown by a mean of 4.34. The responses given by the respondents had little variation as indicated by a standard deviation of 0.82. The study recommended that entrepreneurs should anticipate future business demand so as to increase value addition of their businesses. There is also the need for the entrepreneurs to have a forward-looking perspective so as to increase their business profitability. The study also recommended the entrepreneurs to evaluate and monitor new opportunities and market trends so as to increase their businesses markets' base. Additionally, the study recommended the pro-active entrepreneurs to always remain ahead of their competitors.*

Keywords: *Pro-activeness, Performance of SMEs, Nigeria.*

Introduction: SMEs are known to improve the economic growth base on its importance on the economy across the globe, and this has properly been documented, and because of this, its performance is properly connected with the financial performance of these countries (Moses, 2015). The accountability of SMEs and its importance on economies across the globe cannot be overemphasized. Small and Medium Enterprises are seen as a means for economic growth in most the underdeveloped economies of the world. All this while, it has been noted by Muritala, Awolaja and Bako (2012) and were of the opinion that SMEs are known for better likelihood using labour intensive technologies as a result of reducing joblessness that is witnessed in most economies of the third world countries. From advanced countries of the world for instance, the SMEs in these developed economies have been in the knowing of encouraging job creation, promoting innovation and occupying and being in the front line in creating jobs in developing countries of the world. In advanced economies, many governments internationally, have come to the realization of establishing SMEs so that they can impact or influence the growth and development of their respective economies.

Statement of the Problem

It has been asserted that SMEs really promote growth and development in many societies of different economies of the world. In particular, in countries like Malaysia, Thailand, China, and India, SMEs have been accountable for over 70 percent of exports so this is the reason these economies, as noted by Duro (2013) have been growing in leaps and bounds. Coming back to the Nigerian scenario, SMEs are confronted with a lot of problems and challenges which are in no small measure affecting her growth and development. The most pronounced, however, is access to finances, and effective infrastructure to operate upon, especially electricity and other social amenities. SMEs are supposedly seen as the foundation that lead to the growth and development of the Nigerian economy but these SMEs have not really had a friendly environment to operate and thrive. In view of the problems confronting SMEs in Nigeria alongside the efforts the government has put in to ensure their growth for them to perform effectively the roles expected of them, the study aimed to look at creativity and the performance of Small and Medium Enterprises in Nigeria.

Theoretical Review

The study was hinged on the psychological theory.

Psychological theory

This particular theory was brought about by David McClelland who was a psychologist and an emeritus Professor from Harvard University and said that entrepreneurs have a quest for achievement and this makes them to be involved in more entrepreneurial activities. David McClelland's aim was to spot out and to also examine the psychological factors which bring about entrepreneurial personalities. McClelland put forward the fact that entrepreneurs will have high N-Ach simply for the fact that they possess the same attributes. McClelland (1965) was of the view that the supply of free enterprise hinges on person's psychic requirements for attainment instead of the longing for funds. This theory pays prompt interest to a person's behaviour, intents and encouragements of people, and brought closer in a way that entrepreneurs possess a stronger requisite for achievement. Commitment is noted to be very important to entrepreneurs and this effort makes entrepreneurs to participate in entrepreneurial activities and with the desire to succeed in these.

Conceptual Framework

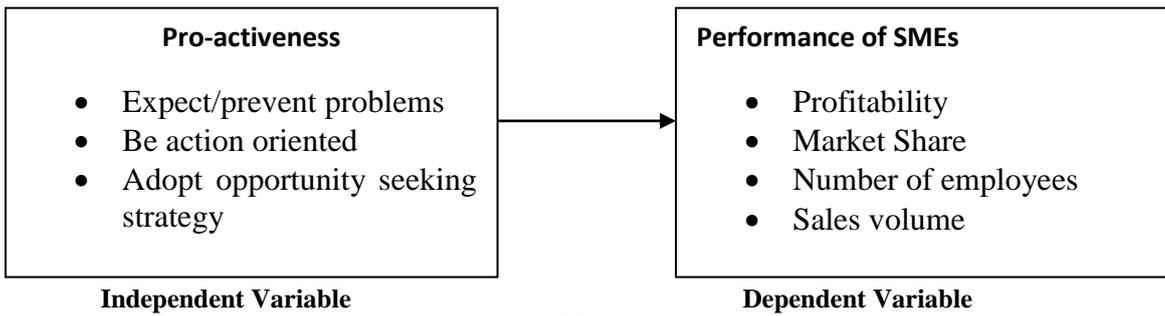


Figure 1. Conceptual Framework

Research Methodology

The study adopted positivism research philosophy since it focused on empirically measuring facts using statistical analysis of data obtained from the study variables, after formulating hypotheses which were tested using quantitative techniques (Thorpe & Jackson, 2005; Stile 2003). The study adopted a descriptive research design. The target population was 3,120 SMEs operating in Plateau state Nigeria. Yamane (1967) formula indicated below was used to determine a sample size of 354 SMEs. $n = (N / (1 + N(e)^2))$; Where: n = sample size, N = Population size, e = margin of error set at 5%, for this study: N=3120, (Total number of SMEs in Plateau State Nigeria) and e =5%. A structured questionnaire was used to collect quantitative data for the study. Before administering the questionnaire, a pilot study was conducted on 20 SMEs to establish reliability and validity of the research instrument. Descriptive and inferential analysis involving correlations and regressions were conducted to establish the relationship between the variables. Before analysis using an ordinary least square regression model, the study conducted diagnostic tests involving normality test, multicollinearity test, linearity test and test of homogeneity. The following regression model was used: $Y = \beta_0 + \beta_1 X_1 + \epsilon$, Where: Y= Performance of SMEs, β_0 = Constant, β_1 = regression coefficient, X_1 = Creativity and ϵ = error term.

Research findings

The number of questionnaires that were administered was 354. A total of 325 questionnaires were filled and returned. This represented an overall successful response rate of 91.8%. This confirms an argument by Kothari (2004) that a response rate of 50% or more is adequate for a descriptive study.

Reliability Test Results

The study conducted a pilot test on 20 SMES to test for the instrument reliability. The 20 participants in the pilot test were not included in the final study. The reliability of an instrument refers to its ability to produce consistent and stable measurements. Reliability of this instrument was evaluated through Cronbach Alpha which measures the internal consistency. Cronbach Alpha value for the two variables was greater than 0.7 which indicates that the questionnaire was reliable (Nunnally, 1978).

Table 1. Reliability Test Results

Variables	Number of Items	Cronbach's Alpha	Comment
Proactiveness	6	0.905	Accepted
Performance	5	0.919	Accepted

Sample Adequacy Test

The study sought to establish the construct validity of the data collected before using it for further analysis involving factor analysis. However, before conducting factor analysis, it was necessary to conduct sample adequacy test to determine whether the sample was adequate enough for factor analysis. To do that, the study adopted the Kaiser-Meyer-Olkin (KMO) test of sampling adequacy. The KMO statistic is a measure of the proportion of variance among variables that might be common variance. The lower the proportion, the more suited the data is to Factor Analysis. A value greater than 0.5 is recommended for factor analysis (Field, 2009) and this is the threshold adopted in this study. The findings indicate that proactiveness had a KMO value of 0.665. These values are greater than the threshold of 0.4 according to Field (2009). It was hence necessary to conduct factor analysis to establish whether the variables passed the construct validity threshold of 0.4.

Table 2. Kaiser-Meyer-Olkin (KMO) Test of Sample Adequacy

Pro-activeness	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.603
Performance	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.647
	Approx. Chi-Square	479.114
	Approx. Chi-Square	645.56

Factor Analysis of Pro-activeness

The study extracted only the items with Eigen values greater than 1.0 and loadings greater than 0.4 for the 6 items that measured pro-activeness. A threshold of 0.4 was adopted. The findings in Table 4.7 indicate that all the 6 items which were used to measure pro-activeness had a loading above 0.4 hence no item was removed from the main research instrument.

Table 3. Factor Analysis of Pro-activeness

Communalities		
Item	Initial	Extraction
The business which anticipate future demand increases value addition for their businesses	1.000	0.522
Forward-looking perspective of an entrepreneur leads to high profitability	1.000	0.567
Entrepreneur who evaluate new opportunities, and monitor market trends increases markets base of their businesses	1.000	0.703
A highly Proactive entrepreneur always remains ahead of their competitors	1.000	0.448
Opportunity Seeking entrepreneur generates a lot of revenue for their business	1.000	0.558
I generally initiate actions which competitors then respond to	1.000	0.572

Extraction Method: Principal Component Analysis

Factor Analysis of Performance

The study also extracted only the items with Eigen values greater than 1.0 and loadings greater than 0.4 for the 5 items that measured performance. A threshold of 0.4 was adopted. The findings in Table 4 indicate that all the 5 items which were used to measure performance had a loading above 0.4 hence no item was removed from the main research instrument.

Table 4. Factor Analysis of Performance

Communalities		
Item	Initial	Extraction
The business has experienced an increase in the market share since its inception	1.000	0.823
The business has experienced an increase in revenue since its inception	1.000	0.817
The business has continued to experience a reliable cash flow	1.000	0.755
The business has continued to experience a high employee retention rate	1.000	0.927
The business’s branches has increased over the years	1.000	0.84

Descriptive Results of Pro-Activeness

The fourth purpose of the study was to evaluate the association linking pro-activeness and performance of SMEs in Nigeria. The respondents were asked to point out the degree to which they concur or they do not concur with the statements regarding pro-activeness based on a Likert scale where 1=Strongly Disagree, 2= Disagree, 3= moderately agree, 4=Agree and 5=strongly agree. The results are as presented in table 4.2 below. The findings of the study showed that majority 80% of the respondents indicated that they strongly agreed that the business which anticipates future demand increases value addition for their businesses while only 20% of them strongly disagreed with the statement. Overall, most of the respondents strongly agreed that the business which anticipates future demand increases value addition for their businesses (mean= 4.60).

The results of the study also revealed that the respondents strongly and unanimously agreed that forward-looking perspective of an entrepreneur leads to high profitability. Moreover, the results of the study revealed that 71.1% of the respondents strongly agreed that the Entrepreneur who evaluate new opportunities, and monitor market trends increases markets base of their businesses while those who indicated agree were 25.5% and those who moderately agreed were only 3.4%. Overall, the respondents strongly agreed

that the Entrepreneur who evaluate new opportunities, and monitor market trends increases markets base of their businesses (mean=4.68).

In addition, the findings of the study showed that majority 56.3% of the respondents strongly agreed that a highly proactive entrepreneur always remains ahead of their competitors while those who indicated agree were 43.7%. Generally, majority of the respondents strongly agreed that a highly proactive entrepreneur always remains ahead of their competitors (mean=4.56).Furthermore, the results of the study revealed that majority 78.2% of the respondents strongly agreed that opportunity seeking entrepreneur generates a lot of revenue for their business while only 21.8% of the respondents indicated agree. In general, the respondents strongly agreed that opportunity seeking entrepreneur generates a lot of revenue for their business (mean= 4.78).

Lastly, the findings of the study showed that majority 56.3% of the respondents strongly agreed that they generally initiate actions which competitors then respond to, those who indicated agree and moderately agree were both 21.8%. In general, the respondents agreed that they generally initiate actions which competitors then respond to (mean=4.34). On average, the findings of the study revealed that majority of the respondents agreed with the statements on pro-activeness as shown by a mean of 4.66. The responses given by the respondents were not varied as indicated by a standard deviation of 0.51. The results of the study agree with the findings of a study by Williams (2011) which revealed that there is a propensity for citizens to impede taking action to defend themselves and their assets from the injurious penalties of disasters, mainly when there is an anticipation that governments will if catastrophe strikes.

Table 5. Descriptive Statistics of Pro-Activeness

Statements	3 (%)	4 (%)	5 (%)	Mean	StdDev
The business which anticipate future demand increases value addition for their businesses	20.0	0.0	80.0	4.60	0.80
Forward-looking perspective of an entrepreneur leads to high profitability	0.0	0.0	100.0	5.00	0.00
Entrepreneur who evaluate new opportunities, and monitor market trends increases markets base of their businesses	3.4	25.5	71.1	4.68	0.54

Statements	3 (%)	4 (%)	5 (%)	Mean	StdDev
A highly Proactive entrepreneur always remains ahead of their competitors	0.0	43.7	56.3	4.56	0.50
Opportunity Seeking entrepreneur generates a lot of revenue for their business	0.0	21.8	78.2	4.78	0.41
I generally initiate actions which competitors then respond to	21.8	21.8	56.3	4.34	0.82
Average				4.66	0.51

Performance of SMEs

The study tried to find out the trends for the profitability of SMEs in Nigeria between the years 2012 to 2016. The trend results revealed an increasing trend for the profitability of SMEs in Nigeria. The trends showed an addition in profitability from 22 million Naira to 51 Million Naira in 2016.

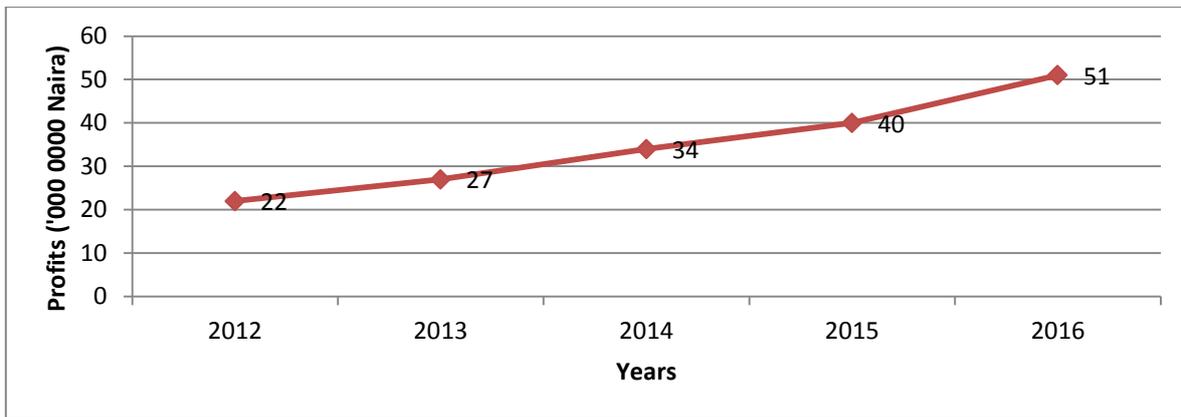


Figure 2. Trends for Profitability of SMEs

The study also tried to evaluate the number of employees for the SMEs in Nigeria between the years 2012 to 2016. The trend results revealed an increasing trend in vis -avis the number of workers for SMEs in Nigeria. The trends reveal an addition in the number of workers between the years 2012 from 127 employees to 249 employees in the year 2016. This implies an improvement in sustainability of the businesses in Plateau state over the years.

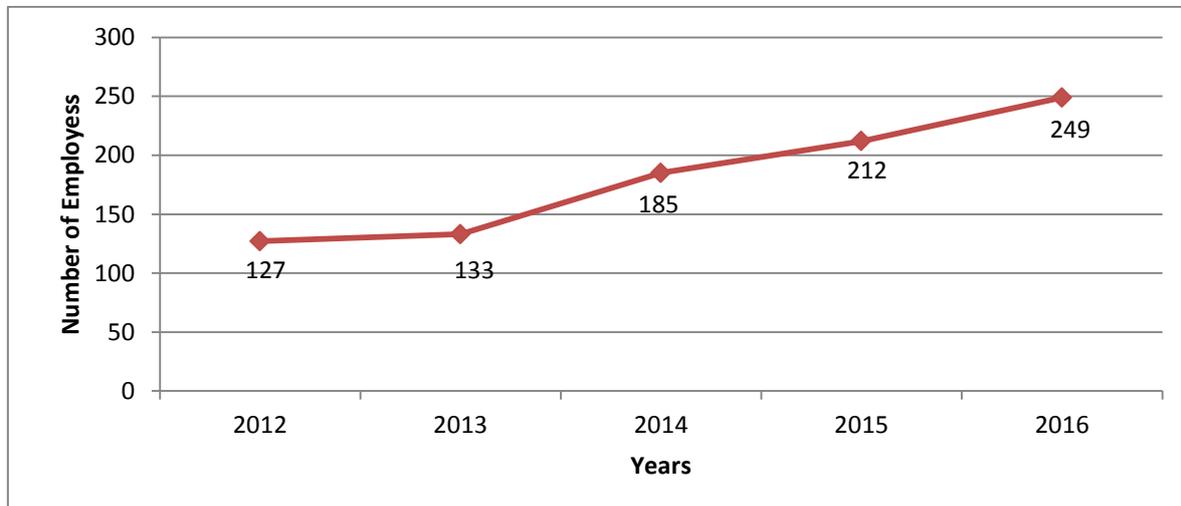


Figure 3. Number of the SMEs

The study also sought to find out the sales volume for the SMEs in Nigeria between the years 2012 to 2016. The trend results revealed an increasing trend in sales for SMEs in Nigeria. The trends reveal an increase in the number of sales between the years 2012 from 127 Million Naira to 800Million Naira to1213 Million Naira in the year 2016. The findings confirm that the performance of SMEs in Plateau state in Nigeria is unsteady.

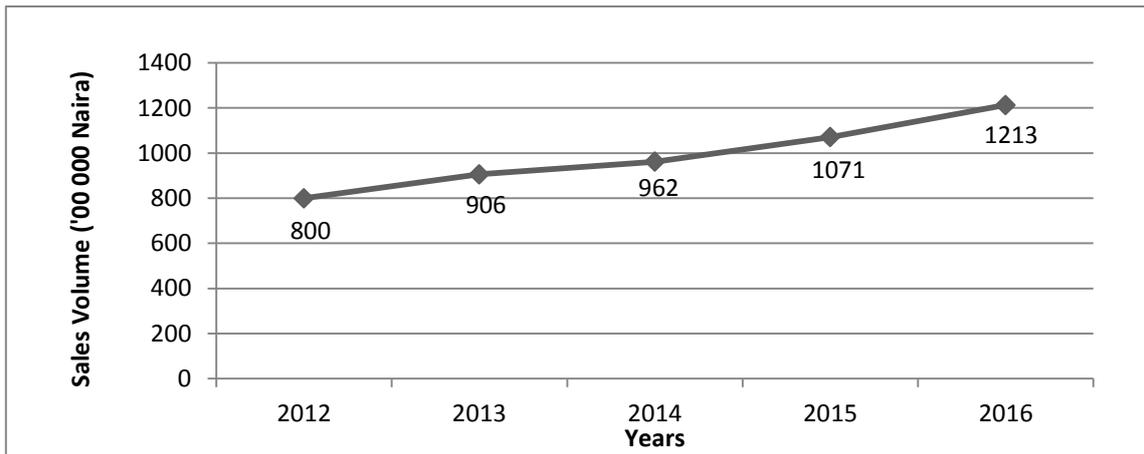


Figure 4. Sales Volume the SMEs

The study also sought to assess the market share for the SMEs in Nigeria between the years 2012 to 2016. The trend results revealed an increasing trend in market share for SMEs in Nigeria. The trends reveal an increase in the market share between the years 2012 from 31.2% employees to 52.7% in the year 2016.

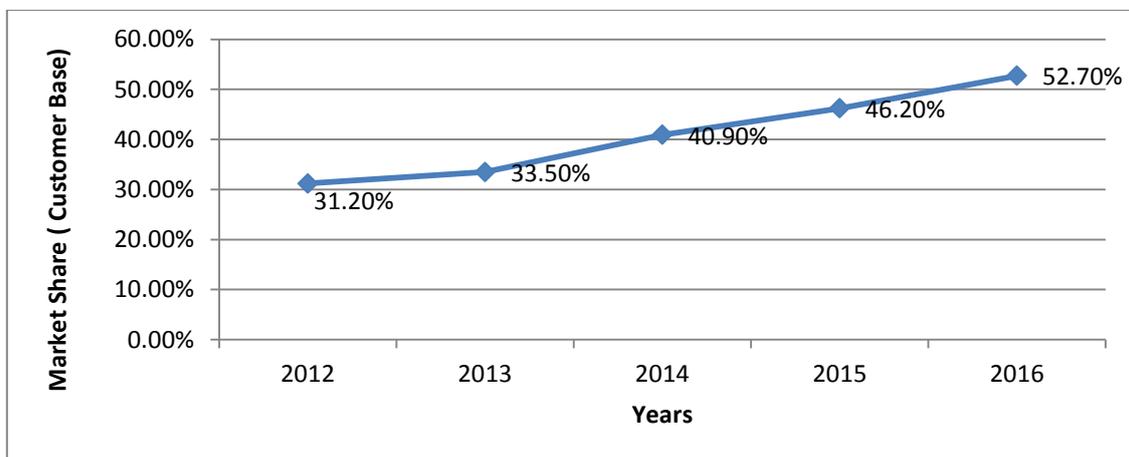


Figure 5. Market share of the SMEs

The study also sort to establish the rating on statements on the dependent variable on a likert scale from a range of strongly disagree to strongly agree. Please show the degree to which you concur or you do not concur with the statements regarding sustainable growth of SME. With regard to performance, majority of the respondents indicated an improvement in market share (79.5%). A further 82.1% of the respondents revealed an increase in revenue while 83.35% agreed that there is reliable cash flow. The findings also showed that 67.9% indicated an increase in both employee retention rate and business branches. The findings are presented in Table 6.

Table 6. Descriptive Statistics of Performance of SME

Statements	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	Mean	Std Dev
The business has experienced an increase in the market share since its inception	3.80%	1.30%	15.40%	30.80%	48.70%	4.19	1.00
The business has experienced an increase in revenue since its inception	3.80%	3.80%	10.30%	33.30%	48.70%	4.19	1.03
The business has continued to experience a reliable cash flow	0.00%	3.80%	12.80%	24.40%	59.00%	4.38	0.85
The business has continued to experience a high employee retention rate	12.80%	3.80%	15.40%	34.60%	33.30%	3.72	1.31
The business's branches has increased over the years	12.80%	3.80%	15.40%	34.60%	33.30%	3.72	1.31
Average						4.04	1.10

Diagnostic Tests

The study conducted diagnostic tests to make sure that the supposition of classical linear regressions was not debased. Specifically, the diagnostic tests that were conducted included normality test, test of linearity, test of multicollinearity and test of Homogeneity Variance.

Normality Test

One-Sample Kolmogorov-Smirnov Test (KS) was carried out to assess the normality of the dependent variable. The Kolmogorov-Smirnov test is a non-parametric method that determines whether a sample of data comes from a precise distribution, such as normal, uniform, Poisson, or exponential distribution. The null and alternative hypotheses are stated below as follows:

Ho: The data is normally distributed (Not different from a normal distribution)

H1: The data is not normally distributed (Different from a normal distribution)

The rule is that if the p-value is greater than 0.05 (Not significant), Ho is not rejected and H1 is rejected, if the p-value is less than 0.05 (Significant), Ho is rejected and H1 is not rejected. The study findings revealed in Table 4.8 revealed that the p value is greater than 0.05 and hence the null hypothesis is not rejected. It is hence concluded that the dependent variable is normally distributed.

Table 7. Kolmogorov Smirnova Test of Normality

One-Sample Kolmogorov-Smirnov Test		
N		325
Normal Parameters a, b	Mean	4.368
	Std. Deviation	0.4198
Most Extreme Differences	Absolute	0.26
	Positive	0.166
	Negative	-0.26
Kolmogorov-Smirnov Z		4.68
Asymp. Sig. (2-tailed)		0.064
Test distribution is Normal.		
Calculated from data.		

In addition, a normal Quantile-Quantile (Q-Q) plots of performance was obtained showing that the line representing actual data for the dependent variable closely follows the diagonal representing normally distributed data suggesting a normal distribution as shown in Figure 7. The observed values were found to coalesce along the line of best fit, which implies that the data was normally distributed. Confirmation of normal distribution was a critical prerequisite for carrying out subsequent parametric statistical tests such as regression analysis.

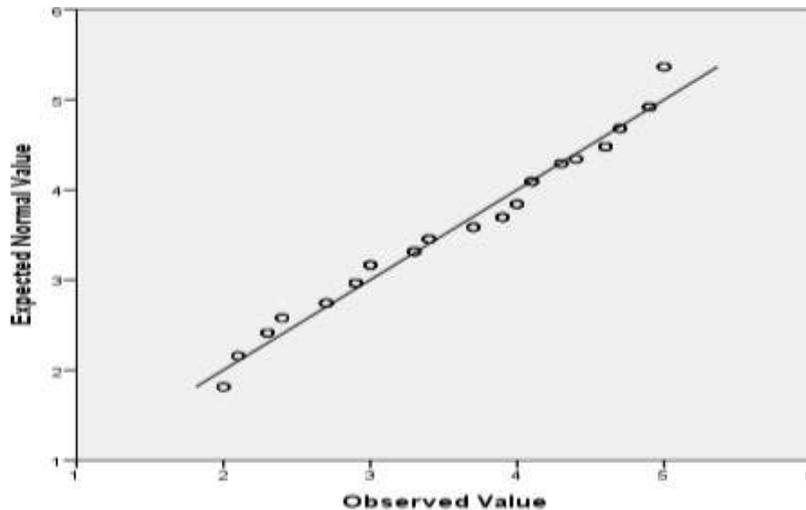


Figure 7. QQ plot for Normality

Test of Linearity

The study used a scatter plot for multiple regression computed using statistical package for social sciences version 21 to test for linearity and then examine the resulting plot for linearity. Linearity is shown by the data points being arranged along the fitted line to obtain the shape of an oval. The findings in Figure 8 reveal that the data was arranged along the fitted line in an oval shape and the R square of the variable in explaining performance was 0.517 indicating that the variables are linear and predict 51.7% of performance of SMEs.

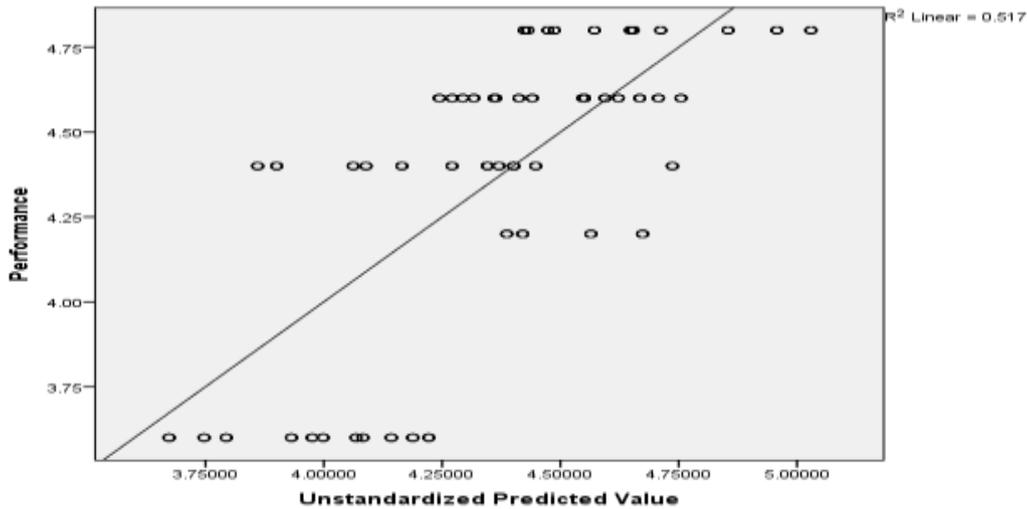


Figure 8. Scatter Plot for Linearity

Test of Multicollinearity

The study used Variance Inflation Factor (VIF) which was applied using the threshold of 10 for severe multicollinearity. In general, the typical acceptable values are VIF less than 10 and tolerance values (1 / VIF) values greater than 0.2. The findings in Table 8 reveals that the VIF values were less than 10 and tolerance values were greater than 0.2 hence there was no problem of multicollinearity. The use of an ordinary least square was therefore encouraged.

Table 8. Variance Inflation Factor Test of Multicollinearity

Variable	Collinearity Statistics	
	Tolerance	VIF
Proactiveness	0.971	1.030
Dependent Variable: Performance		

Test of Homogeneity variance

Homogeneity variance of the study variables was tested using Levene tests. Levene's test is an inferential statistic used to evaluate the sameness of variances for a variable calculated for two or more groups. It tests the null hypothesis that the population variances are not equal. Levene tests results are shown in Table 9. The Levene statistics significance values are less than 0.05 when tested against the 5% level of significance hence the conclusion that there is no enough proof to claim that the variances are not equal.

Table 9. Levene's Test of Homogeneity

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Proactiveness	77.831	4	320	0.000

Correlation analysis

The study used a correlation analysis to find out the relationship connecting pro-activeness and performance of SMEs in Nigeria. A Pearson correlation was used since the data was discrete. The correlation results in Table 10 showed that creativity had a positive and significant influence on the performance of SMEs in Nigeria as indicate by a Pearson coefficient of 0.240 and significance level of 0.000. This implies that demonstrating sufficient willingness to support pro-activeness in order to increases volume of business, frequent introduction of new business products with an aim of gaining first mover advantages, frequent introduction of new business services with an aim of gaining first mover advantages, allowing the introduction of new business ideas from the employees, frequent introduction new business production methods with an aim of gaining first mover advantages, encouraging and rewarding new business idea from the employees leads to a positive and significant effect in the performance of SMEs in Nigeria. The study findings are consistent with the findings of a study by Ogbuabor, Malaolu and Elias (2013) which showed that bricklaying business leads to job creation, income generation and poverty reduction among owners.

Table 10. Correlation Analysis

Correlations		Pro-activeness	Performance
Pro-activeness	Pearson Correlation	1	
Performance	Pearson Correlation	.240**	1
	Sig. (2-tailed)	0.000	
	N	325	325

Regression Analysis

The study used a univariate linear regression model to examine the relationship between creativity and the performance of SMEs in Nigeria. The model summary results for the study variables are presented in Table 11. The results of the study indicated that creativity account for 24.8% of the variation in the performance of SMEs in Nigeria. This is indicated by an R-square value of 0.248.

Table 11. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.498	0.248	0.245	0.3647

Predictors: (Constant), Pro-activeness

The ANOVA results of the for the study variables showed that the overall regression model linking creativity to performance of SMEs in Nigeria was significant as indicated by F (106.246) statistic at 0.000 level of significance which was less than 0.05 significance level. This indicates that the overall model was statistically significant at 5% significance level. The results of the study are as shown in table 12.

Table 12. ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	14.135	1	14.135	106.246	.000
Residual	42.972	323	0.133		
Total	57.107	324			

Dependent Variable: Performance
Predictors: (Constant), Creativity

The regression coefficients of the study variables showed that creativity had a positive and significant effect on the performance of SMEs in Nigeria ($\beta = 0.477$, Sig = 0.000). This implies that demonstrating sufficient willingness to support creativity in order to increases volume of business, frequent introduction of new business products with an aim of gaining first mover advantages, frequent introduction of new business services with an aim of gaining first mover advantages, allowing the introduction of new business ideas from the employees, frequent introduction new business production methods with an aim of gaining first mover advantages, encouraging and rewarding new business idea from the employees leads to 0.477 unit effect on performance of SMEs in Nigeria. The findings agree with the findings of a study by Muritala, Awolaja and Bako (2012) found that majority of the SMEs surveyed realizes profits of between N100000 and N1million naira per annum. The income is made possible due to creativity role of entrepreneurship in the enterprise and the income accrued from MSEs related works has uplift majority of Nigerians and enables them meet their basic needs and has pull them out of poverty.

Table 13. Regression Coefficients

	Un-standardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.402	0.192		12.523	0.000
Pro-activeness	0.322	0.068	0.188	4.753	0.000

Dependent Variable: Performance

Conclusion of the Study

The study concluded that the effect of pro-activeness on the performance of SMEs in Nigeria was positive and significant. The study concluded that demonstration of sufficient willingness to support pro-activeness in order to increases volume of business, recurrent introduction of new business products with an aim of gaining first mover advantages, frequent introduction of new business services with an aim of gaining first mover advantages, allowing the introduction of new business ideas from the employees, frequent introduction of new business production methods with an aim of gaining first mover advantages, encouraging and rewarding new business idea from the employees positively and significantly influence the performance of SMEs in Nigeria.

Recommendations

The study recommends that entrepreneurs in Nigeria are to ensure that they demonstrate sufficient willingness to support pro-activeness in order to increase the volume of their business. The study also recommended that entrepreneurs in Nigeria should frequently introduce new business products as well as new business production methods so as to gain from first mover advantages. There is also need for entrepreneurs in Nigeria to allow for the introduction of new business ideas from their employees. Moreover, the study recommended that entrepreneurs in Nigeria should encourage and reward new business idea from their employees.

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