

Entrepreneurial Skills and Drive on Survival of Small/Medium Businesses in Delta State, Nigeria

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***Abstract:** Studies have shown that greater number of small/medium scale businesses go moribund with the first five years of their existence. Despite that small businesses are known to be the drive of national development for developed and developing economies. Having acknowledged the fact that entrepreneurship capabilities and preferences are among the factors affecting business enterprises performance around the world, this study therefore aimed to investigate the impact of entrepreneurial skills and financial performance of small/medium businesses in Delta State, Nigeria. The study analyzed the entrepreneurial skills/drive and financial performance of sachet water production industry in Delta State, Nigeria. A quantitative approach was used in which 321 managers of registered sachet water firms were sampled. The results showed that the entrepreneurial strategies or skills and orientation are prominent predictors of small business survival. It also showed that there is significant difference between entrepreneurship strategies/skills and success in business. The study therefore concludes that small business in sachet water industry in Delta state depends on entrepreneurial skills for their success. A training plan aimed at entrepreneurship skill acquisition for emerging business starters should be encouraged by the government and private sector, as it will grow the GDP to support economic development for a developing economy as Nigeria.*

***Keywords:** Entrepreneurship, business survival, skill acquisition, Nigeria.*

INTRODUCTION.

Background of study.

Small businesses dominate the economic life of most developing countries(Gollin 2008), and (Lightelm, 2010). The small business sector is recognized as an integral component of economic development and a crucial elements in the effort to lift countries out of poverty(Wolfenson, 2001). Small-scale businesses are driving Force for economic growth, job creation, and poverty reduction in developing countries. This supports the notion that small businesses are the means through which accelerated economic growth and rapid industrialization have been achieved. Thus, small scale business has been recognized as a feeder service to large-scale industries (Fabayo, 2012). Nevertheless, small businesses served as convenience shops primarily for the lower income groups, attracting a sizable portion of household expenditure in less developed urban areas (Lightelm, 2010). While the contributions of small businesses to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long-term survival and development. Scholars have discovered that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-years Mark are very slim (ILO, 2005). Some researchers into small-business development have also shown that the rate of failure of small scale business in developing countries is higher than in the developed world.

Studies have noted that entrepreneurship capability and preferences are among the factors affecting business enterprises performance around the world (Buttner, 2001). The ability to adjust one's business model to adapt to changed economic circumstances is an important characteristics of

entrepreneurial conduct that ultimately dictates survival in increasingly competitive economic environment (Lightelm, 2001).

In developing countries and societies, it is apparent that larger number of people are being compelled to enter into informal necessity self-employment, which constitutes unproductive entrepreneurship (Naude, 2008). Gollin, 2008 Confirms that, due to few formal employment opportunities, the economic life of most developing countries is dominated by small necessity entrepreneurs.

In Nigeria in particular, despite the support and incentive programs to small scale business, Akabueze, (2002) succinctly, stated that it would seem reasonable to expect that small businesses would grow and flourish, but the rate of business failure continue to increase because of the obstacles affecting business performance which include: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as poor infrastructure, corruption, low demand for products and services, and poverty. Others includes: shortage of raw materials, handicap in obtaining finance, inadequate competent personnel, inability to control costs and problems of dumping of cheap foreign products and others.

Literature suggests that entrepreneurship is not only about starting-up of an enterprise and maintaining the status quo ante but equally important is to continue but also to lead the organization to grow. Entrepreneurial vision is important for business growth. For example, Gibbons and O'connor (2005) conducted a study in Irish SMEs and concluded that the entrepreneurs did not have adequate understanding for strategic management tools. The possible reasons were understanding of strategic management tools. The possible reasons were centralized decision making by the entrepreneur or difficulty in prioritizing the development of their managerial skills. Under turbulent and uncertain environment the small business entrepreneurs use their initiative skills rather than systematic approach or tools. In the conceptual model by keats and bracker (1988) proposed that entrepreneurs tend to use sophisticated strategic planning due to higher risk motivation and the belief about their ability to influence the environment and thus lowering the uncertainties.

The entrepreneurs need to be long-term thinkers. At the same time they are short-term players. But as the frame of reference changes the entrepreneurs need to redefine their functions and roles. Hence, Peter drucker (1985) posited that entrepreneurship is a perceptiveness to change and the entrepreneur as one, who always searches for change, responds to and exploit it as an opportunity. Drucker notes that entrepreneurship is practice behavior. It is a discipline and like any discipline, it can be learned.

The interest of this study is to understand whether lack of entrepreneurship skills before going into business contributes to business failure in Nigeria. The work was limited to sample of the managers of sachet water manufacturers in Delta State, Nigeria. This business line is used in the study because sachet water companies form a major part of small and medium scale enterprise (SMEs) in Nigeria and they play very important role not only in creating employment but in food security. All the water factories in three senatorial zones of Delta state are adequately represented in the study.

STATEMENT OF THE PROBLEM.

Empirical evidence has shown that the life span of SMEs tends to be short with approximately two thirds of all start-ups failing within the first five years (Ladzani and Van Buren, 2002). Only small percentages stay in business in the long-term with many of the survivors achieving only marginal performance (Freeman 2000). Furthermore, Kangasharju (2000) have shown that SMEs are most

vulnerable in terms of survival because of the liability of newness and smallness. The extent to which this is true in Nigeria is also investigated in this study.

Small businesses are a large contributor to global economies and their importance has been noted in every country. This class of business make a substantial contribution to an economy in terms of job creation, GDP, investment and social welfare (Nieman, 2006). Since they are so important to the economy, their creation is very key towards economic growth. However, there is a need to keep these SMEs in operation and avoid failure. Researchers have noted that lack of skills has been a major challenge to the SMEs: thus, understanding the importance of entrepreneurial skills acquisition can provide a long lasting solution to the survival battle of the small businesses.

Despite, the several studies in Nigeria, it has been observed that the short time frame with which most small businesses fail in Nigeria is on the increase, (Akabueze, 2002); studies posit that entrepreneurship skills is essential for business survival and basic managerial and accounting skills for entrepreneurs (Oladejo, 2008). However, reports of high rate of business failure where businesses with adequate fund and managerial ability have folded up calls for further investigation.

OBJECTIVES OF THE STUDY.

1. To identify specific entrepreneurial skill/strategy which are essential for the success of small scale business.
2. To find out whether acquisition of entrepreneurial and business skills is linked to the success of the small business.

HYPOTHESIS

Ho1 : small business success is not dependent on specific entrepreneurship qualities and skills acquisition.

Ho2: There is no specific significant difference between successful small business on their dependence on entrepreneurial skills acquisitions.

Review of related literature.

Conceptual framework

Small scale business: There is no single criterion for classifying business enterprises as small or medium scale globally. However, evidence from literature shows that in defining small scale business, reference is usually made to some quantifiable measures such as: number of people employed by the enterprise or a combination of these measures. In Nigeria, the national council of industries noted that by classification, small scale business fall within the following categories of enterprises: an enterprise with capital outlay between #1.5 million and #50 million including working capital but excluding cost of land or workforce of between 11 - 100 employees.

Generally, these enterprises engage in production of light consumer goods that are primarily related to food and beverages, clothing, electrical parts, automotive parts, manufacture, leather products, soap and detergents, woodworks, small scale businesses in Nigeria are divided into three sectors; 1 production sector including agricultural processing, manufacturing, and mining; 2 service sector and 3 trading sector including wholesales and retails (Fabayo, 2009). Small business enterprises usually operate in informal and semi-formal sectors (EUROPA, 2003). Ajiebefun and Daramola (2003) defined small scale enterprises as commercial enterprise that have ten or fewer employees. This study

would take on Ajiebefun et al (2003) classification of Enterprise with capital outlay of between #1.5 million and #50 million including working capital but excluding cost of land and workforce from 11 employees and above. The sachet water production that meet this classification were used in the study.

Entrepreneurship: It is the ability of some business oriented people to accept risks and combine factors of production in order to produce goods and services (Aruwa, 2004). Thus, it involves the willingness and ability to an individual or group to seek out investment opportunities in an environment, and be able to establish and run an enterprise successfully based on the identified opportunities. Entrepreneurship is the process of identifying an opportunity related to needs, satisfaction and converting it to a thing (product or service) of value. It can also be conceptualized to mean the process and activities undertaken by entrepreneurs directed at capturing value associated with business opportunities. It can be seen as a process driven by the desire to innovate; that is bringing non-existence into existence, or producing new things (goods and services; processes or approaches) or improving on the existing ones, and profiting from it.

Therefore, an entrepreneur, according to Okpara (2000), is a human bulldozer, who can convert a stumbling block into a stepping stone. To an entrepreneur there is no mountain that is unmovable. He is a creative and aggressive innovator who sees failure as a stepping stone. He is a person who identify an investment opportunities; he makes the decision as to the opportunities to exploit; he promotes and establishes the business; he is the one who combines the scarce resources required for production and distribution; he organizes and manages the human and material resources for the attainment of enterprises objectives; he is the risk bearer; he is the one who brings about improvement on the method of doing new things.

In other words, it is suited to describe an entrepreneurship philosophy as the reflective realistic thought and consummate wisdom of how to create, operate and sustain, innovate ventures (Ayozie & Latinwo, 2010).

THEORETICAL FRAMEWORK

The argument of this work is based on the notion that business owned by sound entrepreneurs is Bound to survive over those owned with no entrepreneurial skills/strategies. This leads to the proposition that most of the businesses that go moribund in short time are those that do not acquire entrepreneurship skills. The argument is anchored on entrepreneurship theories advanced by Max Weber (Protestants ethics and spirit of capitalism), McClelland (The achieving society), Hagen, (The theory of social change).

Max Weber, a German published his work on Protestant ethics and spirit of capitalism in 1958. He argues that business leader and owners of capital, as well as the higher grades of skilled labour, and even more, the higher technically and commercially trained personnel of modern enterprises are overwhelmingly Protestants, especially in West Europe. Before coming to this conclusion, Weber surveyed the main participants of different religions, protestants, Catholics and Muslims, in other to find out their attitude and behavior towards profits. Consequently, he concludes that the protestant ethics tends to go well with high profit generation and accumulation of capital.

Psychologist McClelland introduced the concept of need for achievement and goal setting. He argues in his book "The achieving society" that the drives towards achievements is the basis of activity for most entrepreneurs. He used the Jew in his illustration. According to him the Jewish child is shown

from the beginning that he has to maintain and remain on top in order to counteract the attitude of the society to him. McClelland concludes that because of this method of rearing, which the Jewish operates, they are always on top and strive for excellence anywhere they live.

Hagen, in his book, "The theory of social change", argue that creative personality in an individual is characterized by high need for achievement, law, order, autonomy and problem solving. Economic development, to him, is basically a process of ecological change brought about by the technological activity of individual concerned. He sees the entrepreneur as a reactive problem solver, interested in solving practical problems in most cases through the application of creativity. At times, entrepreneurs are motivated by some internal forces as a duty to do something unique before they die.

This theoretical explanations acknowledge that some specific business skills are essential for the success of small business enterprises. They include motivation, ability to gather resources, financial Management, human resource management, marketing and technical skills. This follows that an increase in the capacity of business skills can lead to an increase in the entrepreneurial performance of the entrepreneur. These business skills are supportive skills, their absence would reduce performance, yet not completely destroyed the business. This also means that an increase in the capacity of any of these supporting skills will also assist with small business performance. This gives a view that it is important to have all the course skills in place so as to get the desired performance and also the supporting skills to boost the business performance.

Thus, for a small business to be successful and survive over a long time, it requires entrepreneurial skills and specific business acumen to enable it identify change elements and explore them.

EMPIRICAL EVIDENCES

Studies have been done on Small Business survival and entrepreneurial skills. Kunene (2008) argues that the entrepreneurs initiative and skills are key determinants of success. Training for small business is primarily internally focused and impacts generic management skills such as marketing, finance, record-keeping, human relations, as well as industrial relations. In conclusion, it is maintained that entrepreneurial training improves SME performance over time, showing that the business and the entrepreneurial skills are really of importance in the business world, especially for entrepreneurs. Hence, lack of skills has been a major challenge to the SMEs (Smith and Perks, 2006) and skill acquisition through training can provide a long lasting solution to the survival battle of the SMEs. Other studies again, claimed that the vulnerability of SMEs in terms of survival is because of The liability of newness and smallness (See Kangasharju, 2000). These reviews are in tandem with the notion that acquisition of entrepreneurship skills is a prerequisite for business survival.

METHODOLOGY

This study used a descriptive survey design. The purpose of descriptive surveys, according to Ezeani (1998), is to collect detailed and factual information that describes an existing phenomenon. Data will be collected on the concepts defined in the research model and hypothesis tested from responses on a Likert - type questionnaire to be distributed among the sample for study.

The population of the study is all the registered Sachet water companies in delta state of Nigeria. Records from the National Agency for Food and Drug Administration and Control (NAFDAC) showed that they are 321 registered companies/producers of sachet water in Delta State as at the time of this study. Churchill and Brown (2004) noted that the correct sample size in a study is dependent

on the nature of the population and the purpose of the study. The population of the study is 321 which are manageable. Therefore, the study used all the registered water firms in the state.

The instrument used in gathering data in this study is the questionnaire. The questionnaire was specifically designed to accomplish the objectives of the study. The questionnaire contained 8 Entrepreneurship skills as used by Lightelm (2010) in a study of entrepreneurship and small business sustainability in South Africa. Respondents were asked to rate certain questions on a five-points Likert scale varying from 1 (strongly disagree) to 5 (strongly agree).

The questionnaire was given to a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. This study used cronbach's alpha as a measure of reliability. cronbach's alpha is a test for surgery's internal consistency. It is a measure of how well each individual items in a scale correlates with remaining items. The questionnaire was pre-tested among a few industries before being used to the rest of the population to check for the reliability of the questionnaire. The results of the final data collection were consistent with the results from the pre-testing.

The analytical method to be used at the descriptive analysis. The chi-square was used to test the significant difference between the successful and the less successful groups about their views on whether they depend on specific entrepreneurship qualities and skills to succeed. The confidence level used was 95% meaning that the p value must be lower than 0.05. Equally the t-test was used to compare whether there were significant differences between the mean scores of the variables in the entrepreneurial skills on the successful and less successful respondents. A special computer-based statistical package (SPSS) was used to obtain the result.

RESULTS AND DISCUSSION.

Table 1: Chi-square results indicating the significance of the entrepreneurial variables to small business survival.

	P value	DF	Sig. (2- sided)
Compiling a business plan	9.947 ^a	3	.002
Regular updating of the business plan	.709 ^a	3	.007
Regular updating of the business plan	5.115 ^a	3	.014
Risk analysis prior to starting the business	7.481 ^a	3	.050
Regular analysis of the competitors	15.609 ^a	3	.001
Consideration of alternative business investments prior to starting the business	12.781 ^a	3	.205
Ease of venturing into a new business	18.773 ^a	3	.000
Not a problem to take a calculated risk	8.643 ^a	3	.003

A = 0.05, confidence interval = 95%

The result of the analysis on the significance of the various entrepreneurship skills showed that there were significant differences between the successful small business owners in terms of how they depend on entrepreneurial skills for their success with $p < 0.05$ for 7 out of 8 of the skills tested for. In "consideration of alternative business investments prior to starting the business", there is no significant difference between the successful and the less successful how they depend on the skills. The study thus rejected the hypothesis: small business success is not dependent on specific entrepreneurship qualities and skills acquisition. The study then sees entrepreneurial actions and orientation as prominent predictions of small business growth.

Table 2: T-Test Result indicating the difference between successful and less successful small business on their dependence of entrepreneurial skills acquisition.

	Successful standard deviation	Mean	Unsuccessful standard deviation	mean	Sig. (2 sided)
Compiling a business plan	.461	1.28	.366	1.85	.210
Regular updating of the business plan	.502	1.39	.427	1.77	.005
Marketing strategy for the business	.485	1.33	.486	1.64	.030
Risk analysis prior to starting a business	.900	2.89	.754	1.90	.000
Regular analysis for competitors	.786	3.17	.774	2.68	.000
Consideration of alternative business investments prior to starting the business	.428	1.22	.442	1.72	.001
Ease of not venturing into a new business	.502	1.39	.389	1.82	.420
Not a problem to take calculated risk	.382	1.17	.493	1.62	.001

The results on table 2 is on the t-test on the dependence on the entrepreneurial skills. The results (as indicated by the significance levels) showed that there were significant differences on the dependence of the entrepreneurial skills ($p < 0.05$) with only the exception of two skills. This means that the successful respondents depend much on the entrepreneurial skills than the less successful. However, there was no significant difference on both the successful and the less successful on the following entrepreneurial skills; compiling a business plan, ease of venturing into a new business. This means that both the successful and the less successful agree that they depend on the skills listed above. The study thus rejected hypothesis: there is no significant difference between successful and less successful small business on their dependence on entrepreneurial skills acquisition.

CONCLUSION AND RECOMMENDATIONS.

The major conclusions from this study are that the small businesses in sachet water industry confirms that the human factor, and particularly, the business's entrepreneurial endowment and motivation,

largely dictate its survival and growth potential. This presupposes the fact that training plans aimed at entrepreneurship skill acquisition for emerging businesses starters should be encouraged by the government and policy makers. This strategy will enable the small business components of the economy to support economic growth, welfare and national development for a developing economy as Nigeria. Entrepreneurship skill acquisition will increase small business owners' ability to adjust business model to adopt to changed economic circumstances as this is one of the characteristics of entrepreneurial conduct that ultimately dictates survival in increasingly competitive economic environments.

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