

## **ENTREPRENEURIAL COMPETENCE AND ORGANIZATIONAL PERFORMANCE OF SMES IN EDO STATE, NIGERIA**

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### **Abstract**

*This research empirically studied the influence of entrepreneurial competencies on organizational performance of SMEs (fast food and bar enterprises) in Edo State. The specific objectives were to determine the relationship of risk-taking, persistence, innovation and opportunities competence on organizational performance. The study was based on resource based theory, a conceptual model to explain the relationship among the various variables. The well filled and retrieved questionnaire from the owners of the fast food and bar enterprise was 167. The hypotheses data were tested using the spearman rank order correlation coefficient. The results of this study indicate that the entrepreneurial competence variables (risk-taking, persistence, innovation and opportunities) have a significant influence on organizational performance. It was recommended that entrepreneurs should continuously pay great attention to entrepreneurial competence in order to their organizational performance.*

### **Introduction**

In every developed or developing society of the world, entrepreneurial competence play a major role in economic development of every nation. All successful businesses derive strength from entrepreneurial competencies of managing a given business. Over the years, Small and Medium Scale Enterprises (SMEs) have played a major role in building a strong economy. In Nigeria there has been a noticeable rise in the number of SMEs (Fast Foods and bar businesses) in the country. Developing countries government and management researchers have always encourage their citizens to venture into SMEs. The Nigerian economy has not abandoned the role expected of entrepreneurs in boosting the country's economy. The performance of SMEs (Fast Foods and Bar businesses) are vital to the survival of these businesses. Fast Foods and bar businesses are one of the most common businesses people venture into in Edo state, Nigeria. An organization's performance is a measure of the entrepreneurial ability of a business to meet the needs or overall goals of its owners. Corporate performance is inevitably affected by the most common opportunities and threats of the business environment, where the business operates (Entrialgo, Fernández, & Vázquez, 2001; Naman & Slevin, 1993; &Zahra, 1995). Every business owner is expected to relate to their business environment that requires a high level of entrepreneurial competencies at various stages such as risk taking, innovation, persistence and ability to participate in high performance.

### **Statement of the Problem**

There are various reasons why people set up small scale enterprises in Nigeria and other countries. Setting up a business may be due to government intervention package, marriage, heritage, personal interest. However, it has been noted by the researchers that some SMEs (fast food and bar business) are headed for bankruptcy within the first five years of operation, regardless of the purpose of starting a business. After a critically reviewing the rise and fall of

these SMEs (fast food and bar businesses), government agencies, higher education institutions, and former businesses did not do much in the area of training entrepreneurs on how to take calculated risk, persistence in their business ideas, ability to innovate, and take advantage of opportunity that are abound in a business environment. Entrepreneurs are expected to be well equipped in the aforementioned entrepreneurial competencies before venturing into business. However, Covin and Miles(1999)stated that several studies have found positive and negative relationship between entrepreneurial competence and performance It is for this reason that the researchers seeks to find the relationship between entrepreneurial competence and performance.

### **Research Objectives**

The main objective of this study was to evaluate entrepreneurial competence on organizational performance. Other specific objectives include the following;

- i. To determine the relationship between risk-taking competence and organizational performance.
- ii. To examine the relationship between persistence competence and organizational performance.
- iii. To ascertain the relationship between innovation competence and organizational performance.
- iv. To determine the relationship between opportunity competence and organizational performance.

### **Hypotheses**

The following hypotheses are stated in the null form to the direction of this study.

- i. H<sub>0</sub>: There is no significant relationship between risk-taking competence and organizational performance.
- ii. H<sub>0</sub>: There is no significant relationship between persistence competence and organizational performance.
- iii. H<sub>0</sub>: There is no significant relationship between innovation competence and organizational performance.
- iv. H<sub>0</sub>: There is no significant relationship between opportunity competence and organizational performance.

### **Literature Review**

#### **Concept of Entrepreneurial Competence**

Entrepreneurial researchers have shown that entrepreneurial competencies have a positive and negative impact on performance of SMEs in Nigeria. Entrepreneurs / business owners who are more aware of entrepreneurial competencies tend to manage their business environment in which they operate better in order to find new opportunities and consolidate their competitive positions, when compared to those with less awareness (Covin & Miles, 1999). Kaur and Bains (2013) have described entrepreneurial competency as individual characteristics. Entrepreneurial competence is the absolute ability that entrepreneur needs to perform their roles with great success.

**Risk-Taking:** Entrepreneurs / Business owners are people who take decision under uncertainty and are willing to take business risk. Entrepreneurs are often seen as calculated risk takers. Many entrepreneurs have taken risks to improve their businesses performance where they want to be (Genever, 2017). Risk taking does not mean venturing into a business blindly and expecting great results. Risk taking in entrepreneurship involves calculated planning and hard work to achieve a predetermined goal.

**Innovation:** Innovation refers to the behavioural pattern of an entrepreneur who has interest and desire in seeking changes in methods of operations and also ready to introduce such changes into their operations when it is practically feasible. Creativity is a critical stage in the innovative process whereby performance gaps are recognized and ideas are generated to fill the gap (West, 2002). Entrepreneurs / business executives must be willing to try different strategies to achieve a profitable outcome because it is the entrepreneurial energy, creativity and motivation that drives high quality product and services (Baum & Locke, 2004).

**Opportunities:** An entrepreneur is one who looks for opportunity and acts on opportunities. An entrepreneur must always be ready to take advantage of the opportunity. An entrepreneur should be able to perceive customer needs, take advantage of high quality business opportunities, and identify goods or services that satisfy customer needs (Sarwoko, Surachman, Armanu, & Hadiwidjojo, 2013).

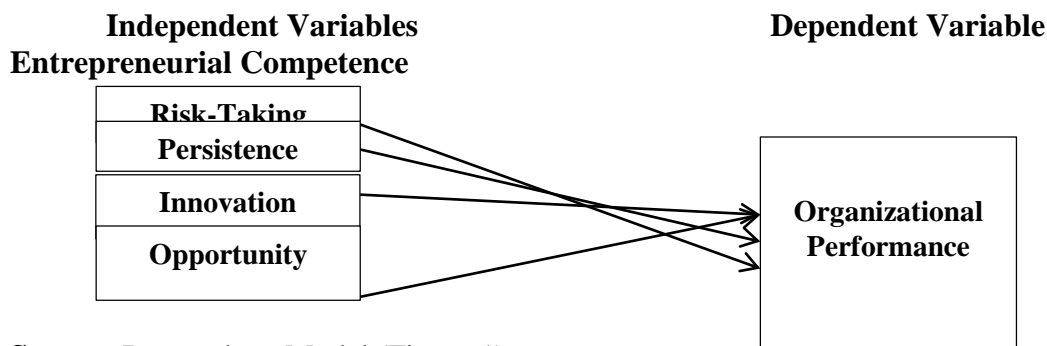
**Persistence:** Entrepreneur must take recurring or enhanced action to overcome any obstacles that comes their way to achieving desire goals. Entrepreneurial persistence describes the ability to move toward a finish line or a predetermined goal, even if the finish line /predetermined goal seem to be out of reach (Akalp, 2015). Entrepreneur should never be disappointed by failures. They should believe the Japanese proverb, "If you fall seven times, stand up eight times".

### Organizational Performance

Organizational performance is defined by the extent of performing tasks related to improved work performance. Organizational Performance is primarily the ability of an organization to achieve its intended objectives by effectively utilizing its resources (Hanif, Malik & Abdul-Hamid, 2018). Street and Cameron (2007) reported that successes of a company's performance are determined by a number of factors, namely: organizational characteristic and entrepreneurial characteristics, organizational characteristic. Zoysa and Herath (2007) revealed that there is a relationship between business owners/entrepreneur competence and performance at various stages of organizational growth, as supported by Nimalathan (2008) who argued for the existence of a positive relationship between business owners/entrepreneur competence and organizational performance.

### Researchers Model

The researcher model shows the relationship between the independent variables (risk-taking, persistence, innovation and opportunity competence) and the dependent variable (organizational performance). The variables will be tested based on understated research model.



Source: Researchers Model (Figure 1)

## **Theoretical Framework**

### **Resource Based Theory**

The theoretical framework for this study was centered on **Resource Based Theory** that was propounded in the 1980s and 1990s through the works of academicians and entrepreneurs such as Birger Wernerfelt, and Spender (Grant, 1991; & Barney, 1991). The theory can be used as a strategy to gain competitive advantage over other competitors. The central idea of this theory is that instead of entrepreneurs looking at competitive business environment to gain market niche or an edge over competitors and business threats, the entrepreneur should instead look within the organization resources and the potential at its disposal to achieve high performance. This study adopted the Resource-Based theory, because it provides efficient and appropriate use of organizational resources when they are needed to be used to maximize the performance of fast food and bar business in Edo state. The resources are as follows; stock, financial resources, human resources, production resources and information technology resources.

### **Empirical Review**

Entrialgo, et. al. (2001) reported in their article that examines the impact of organizational context of firm on their entrepreneurial competence. The objectives of the study examined how the organizational context variables of size, resources and competitive strategy affect entrepreneurial innovation, pro-activeness and risk-taking. The results from a sample of 233 firms indicate that there is a significant influence of resources and competitive strategy on entrepreneurial competence.

Gerli, Gubitta, and Tognazzo (2011) studied the impact of entrepreneurial competence and performance of small and medium sized Italian firms. The aim was to find the relationship between entrepreneurial competencies and firm performance. The regression analysis was used to test the hypotheses. The results revealed that entrepreneurial competence portfolio has an impact on organization's performance. Competencies such as Teamwork, Leadership, Efficiency orientation, planning, Persuasiveness, Organizational awareness, Self-confidence, Directing others, and bench marking all impact on firm performance. Factor analysis has also revealed some behavioural trends related to entrepreneurial effectiveness and regression analysis revealed the influence of certain control variables.

Fabrizio, Paolo and Alessandra, (2011) evaluated the role of individual competencies on business performance of small and medium-sized Italian firms. The study used a multi-dimensional performance indicator and some control variables (entrepreneurial competencies). The result shows that entrepreneurial competence has an impact on the organizational performance.

Sanchez, (2012) investigated the influence of entrepreneurial competencies on small businesses performance. Their results indicated that entrepreneurial competence plays a vital role in organizational capability and competitive scope, and it also has a direct effect on firm performance.

Endi, Surachman, Armanu, and Djumilah, (2013) examined entrepreneurial characteristics and competency in business performance of SMEs. The study used 147 questionnaires for SMEs owners in Malang Regency East Java Indonesia. Survey research design was used. The method of data analysis was Structural Equation Modelling. The results revealed that entrepreneurial characteristics and competency have a significant impact on the performance SMEs.

Ango and Solomon (2018) assessed the impact of entrepreneurial competencies on Small and Medium Scale Enterprises in Kaduna metropolis. The objectives of the study were to evaluate

the impact of skills competencies and personality competencies on performance of SMEs. Primary data were used for data collection. The population of the study was 313, and the sample size was 176. The study used multiple regression analyses to test the hypotheses. The study found that skill competency and personality competency have a significant impact on the performance of small and medium scale enterprises.

Ahmad, Suseno, Seet, Susomrith and Rashid (2018) examined the effects of the various types of entrepreneurial competencies on firm performance in Malaysia. The focus was on the concept of entrepreneurial competencies of leadership, analytical planning, innovation, implementation, teamwork, and networking, they tested the relationships between these different types of entrepreneurial competencies and firm performance using data collected from 117 women entrepreneurs in Malaysia. The findings indicate that only implementation and network competencies have a positive effect on firm performance.

Hanif, Malik and Abdul-Hamid (2018) examined the effect of knowledge management processes and international entrepreneurship orientations on organization performance. The questionnaire was administered to 220 respondents resulting in total of 203 correctly filled, questionnaires which was a response rate of 92.26 percent. Multiple regression analysis was used to test the hypotheses, while descriptive statistics provided the background for the respondents. The analysis showed that both entrepreneurship orientations and knowledge management process have a positive effect on the bank's performance.

Al-Mamun, Fazal, and Muniady, (2019) examined the effect of entrepreneurial skills, market orientation, sales orientations and networking on entrepreneurial competency and performance of micro-enterprises in Kelantan, Malaysia. A cross-sectional design was adopted, and data was collected through structured interviews from 403 micro-entrepreneurs. The findings imply that entrepreneurial skills, market orientation and networking have a positive impact on entrepreneurial competency. Entrepreneurial skills, entrepreneurial competency and networking have a positive effect on an organization's performance.

### **Methodology**

This study was a qualitative study of entrepreneurial competencies on organizational performances of SMEs (fast food and bar enterprises) in Edo State. Survey research design was adopted for the study. The primary data used for this study was the administration of questionnaires. The population of this study was the owners of all fast food and bar in Edo State, it comprise of 336 fast food and bar enterprises as at December 2019 (Edo Gist, 2019). The sample size of 183 was extracted from the population using the Taro Yamane formula. Questionnaires were administered at the end of year meeting of fast food and bar owners in Edo state. The following variables were used to measure the relationship between entrepreneurial competencies and organizational performances. The dependent variable was organizational performance (OP) while the independent variable was Entrepreneurial Competencies proxy by risk-taking (RC), innovation (IC), persistence (PC) and opportunity competence (OC).

The Cronbach alpha results for the independent variables were 0.761, 0.792, 0.782 and 0.841 respectively, while dependent variable was 0.83.

The items were rated on a 5-point likert scale ranging from strongly disagreed (1), disagreed (2), neutral (3), agreed (4) and strongly agreed (5). The spearman rank order correlation coefficient was employed to analyze the four hypotheses of this study through Statistical Package for Social Sciences (SPSS) version 20.

**Result**

Out of the 183 questionnaires that were administered, only 167 copies were properly filled and returned, which shows 91.25 percent returned rate. Hence, the analyses were based on the 167 copies. The hypotheses test is undertaken at 95 percent confidence interval, which implies a 0.05 level of significance.

**Decision Rule**

Where  $P < 0.05$  = Reject the null hypothesis

Where  $P > 0.05$  = Accept the null hypothesis

**Table 1: Relationship between Risk-taking Competence (RC) and Organizational Performance (OP).**

			RC	OP
Spearman's rho	RC	Correlation Coefficient	1.000	.563**
		Sig. (2-tailed)	.	.000
		N	167	167
	OP	Correlation Coefficient	.563**	1.000
		Sig. (2-tailed)	.000	.
		N	167	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From data analysis of table 1, the result shows that there is a link between risk-taking competence and organizational performance, with a correlation value (rho) between the two variables at .563\*\* where  $P = 0.000$  ( $P < 0.05$ ) indicates significant level of relationship between the variables. This means that risk-taking can be considered statistically appropriate to improve an organization's performance. The researchers, therefore, reject the null hypothesis that there is no relationship between risk-taking competence and organizational performance. This result is consistent with the findings of Al-Mamun, Fazal, and Muniady (2019) and Entrialgo, et. al. (2001) which states that risk-taking competence increases organizational performance.

**Table 2: Relationship between Persistence Competence (PC) and Organizational Performance (OP).**

			PC	OP
Spearman's rho	PC	Correlation Coefficient	1.000	.428**
		Sig. (2-tailed)	.	.000
		N	167	167
	OP	Correlation Coefficient	.428**	1.000
		Sig. (2-tailed)	.000	.
		N	167	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The result from table 2 shows that organizational performance is connected to entrepreneurial persistence competence; where  $\rho = .428^{**}$  and  $P = 0.000$  ( $P < 0.05$ ) emphasize that the level of

entrepreneurial persistence competence affects the level of organizational performance. Therefore, the null hypothesis was rejected, while the alternate hypothesis was adopted, because persistence competence has a relationship with organizational performance. The result agrees with the findings of Gerli, Gubitta, and Tognazzo (2011) and Ango and Solomon (2018) that entrepreneurial persistence and organizational goal would lead to better performance.

**Table 3: Relationship between Innovative Competence (IC) and Organizational Performance (OP).**

			Correlations	
			IC	OP
Spearman's rho	IC	Correlation Coefficient	1.000	.713**
		Sig. (2-tailed)	.	.000
		N	167	167
	OP	Correlation Coefficient	.713**	1.000
		Sig. (2-tailed)	.000	.
		N	167	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The analysis of result from table 3, reveals a critical link between innovation competence and the performance an organization; rho = .713\*\* and P = 0.000 (P0.05) indicating a significant degree of relationship between the two variable. Thus, the null hypothesis was dismissed as the result shows that entrepreneurial innovation competence is fundamentally related to organizational performance. The outcome of this hypothesis was in line with the research of Hanif, Malik and Abdul-Hamid (2018) and Ahmad, Suseno, Seet, Susomrith and Rashid (2018) who argued that innovative competence was needed for organization to outperform its competitors.

**Table 4: Relationship between Opportunities Competence (OC) and Organizational Performance (OP).**

			Correlations	
			OC	OP
Spearman's rho	OC	Correlation Coefficient	1.000	.487**
		Sig. (2-tailed)	.	.000
		N	167	167
	OP	Correlation Coefficient	.487**	1.000
		Sig. (2-tailed)	.000	.
		N	167	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Analysis of table 4 data, shows that there is a positive correlation between opportunity competence and organizational performance with P = 0.000 (P 0.05) and rho = .487\*\* . The correlational value revealed a positive relationship between opportunity competence and organizational performance. Thus, the null hypothesis was rejected, while the alternate hypothesis was adopted. The result was in line with the findings of Sarwoko, Surachman, Armanu, and Hadiwidjojo, (2013) and Al-Mamun, Fazal, and Muniady, (2019) who argued that opportunity competency improves business performance.

### **Findings**

The result of this study revealed that entrepreneurial competence impact on organizational performance of SMEs (fast food and bar enterprises) in Edo state, Nigeria. The specific findings are mentioned below;

- i. Risk-taking competence was positively related to performance of fast food and bar enterprises in Edo state, Nigeria.
- ii. Persistence competence has a significant relationship with performance of fast food and bar enterprises in Edo state, Nigeria.
- iii. Entrepreneurial innovation competence is fundamentally related to performance of fast food and bar enterprises in Edo state, Nigeria.
- iv. Opportunity competence has a significant relationship organizational performance of fast food and bar enterprises in Edo state, Nigeria.

### **Conclusion**

The researchers reviewed the impact of entrepreneurial competence on organizational performance of SMEs (fast food and bar enterprises) in Edo state. The study examined entrepreneurial competencies (risk-taking, persistence, innovation and opportunity) on organizational performance of fast food and bar enterprises in Edo state. A conceptual model was developed to explain the various variables. The research was based on resource based theory. The study found that risk-taking, persistence, innovation and opportunity competencies all have a positive relationship on SMEs (fast food and bar enterprises) performance.

### **Recommendations**

Based on the above findings, the study presents the following recommendations;

- i. Entrepreneurs / business owners should be training on how to take calculate risk, as some owners of SMEs (fast food and bar enterprise) still perceive business risk as gambling.
- ii. Entrepreneurs / business owners should create a high sense of persistence in achieving their pre-determined goals and objectives.
- iii. Entrepreneurs / business owners should endeavour to explore variety of training and development that will help develop creativity and innovative ideas in their organization.
- iv. Government must put in place sustainable policies that do not deal with frequent changes, which will assist entrepreneurs / business owners in planning.

### **Further Study**

This study only looked at four variables of entrepreneurial competencies. Future researchers should study other entrepreneurial competencies such as networking, relationship, training, marketing competencies

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