Entrepreneurial Orientation and the Performance of the Agro-allied Enterprises in Akwa Ibom State, Nigeria

Nsikak-Abasi A. Etim¹, Edet J. Udoh¹, Enobong E. King¹

¹Department of Agricultural Economics and Extension, University of Uyo, P.M.B 1017, Uyo, Nigeria

Abstract

Although, Small and Medium Enterprises (SMEs) are faced with numerous challenges that threaten their existence and survival, it is widely recognized that they are the major drivers of sustainable economic growth, sources of income and panacea for poverty reduction in developing countries. This precocity of small entrepreneurial organizations in entrepreneurial ecosystem has prompted widespread attention by scholars and researchers. Hence, it is critical to take into consideration examining the performance of the enterprises. This study analyzed the effect of entrepreneurial orientation dimensions, personal and institutional characteristics on the performance of small and medium agro allied enterprises. Through the multistage sampling procedure, a total of 198 SMEs were selected for the study and data were collected with the aid of questionnaire. Data were analyzed using multiple regression analysis. Results revealed that among the entrepreneurial orientation dimensions, only risking taking and innovativeness significantly and positively affected the performance of SMEs agro allied enterprises. Furthermore, findings showed that except for size of business which was negatively related to the growth of SMEs, educational level of entrepreneurs, managerial and business experience positively and significantly impacted on the performance of SMEs. Policies to encourage SMEs invest in risky investments and create new product and services should be pursued.

Introduction

Small and medium enterprises (SMEs) are recognized globally as key drivers of modern economies particularly in developing countries (Hossain et al., 2019, Asheq and Hossain, 2019, Kiyabo and Isaga, 2020, Rahaman et al., 2021) and Nigeria is one of the developing countries that SMEs have played a crucial role in its economic prosperity. At independence in 1960,
agriculture was the mainstay of Nigeria's economy with the exportation of agricultural outputs from Groundnut, Rubber, Cocoa, Oil Palm that earned foreign exchange for the country and the springing up of several agro based small and medium enterprises during this period boosted the country’s economic growth. Ibidunni et al., (2018) confirmed that modern agro-based business entrepreneurship in Nigeria started in the 1960s with the medium and small agricultural firms farming and providing agricultural raw materials for customers. At independence also, food export accounted for more than 70 percent of the Gross National Product of Nigeria compared to what we are experiencing now which is almost a complete reversal of the trend with food items accounting for over 50 percent of import. Regrettably, these agro allied small and medium enterprises (SMEs) today are faced with numerous challenges that impede their growth.

Zucchella and Siano (2014) posited that in order to cope in the competitive world, there was need for SMEs to develop distinct and firm-centred adaptive strategies. Thornhill and Amit (2013) corroborated that the development of these effective strategies is the key for survival and staying in business by SMEs. Sok (2014) also reported that improving and sustaining this competitive nature by SMEs is the panacea for economic growth and development. But an understanding of how they thrive and achieve growth in an increasingly competitive environment is limited (Anderson and Eshima, 2013). Hence, it becomes imperative to investigate the crucial drivers of the performance of small and medium enterprises. This study was predicated on the positions by Sousa et al., (2008) and (Rua et al., 2018) that the survival of small and medium enterprises worldwide depends hugely on in-depth understanding of the determinants of their performance.

In Akwa Ibom State as it the case in the sub Saharan region, very few studies have reported the performance of SMEs and their relevance in the economic development. As noted by Stouraitis et al., (2017), the factors influencing the performance of SMEs are under studied. It is against this back drop that the study was conducted to expand the frontiers of the SMEs entrepreneurial knowledge and contribute to entrepreneurship literature. It becomes imperative to identify key factors that affect the performance of the agro allied small and medium enterprises in the state. However, studies by Wang (2008), Covin and Miller (2014), Tingko and Wenyi (2017), Stambaugh et al., (2017), Rezaei and Ortt (2018) have demonstrated that one of the most widely employed techniques for assessing the performance of firms is entrepreneurial orientation. This study was conducted to determine the effect of entrepreneurial orientation and institutional characteristics on the performance of small and medium enterprises in a State with emerging important of SMEs towards economic development.

Literature Review

Entrepreneurial Orientation and Firm’s Performance

The growth of firms is of utmost importance to policy makers and entrepreneurial activities are playing a key role in achieving this goal in different organizations (Kraus et al., 2012, Setiawan et al., 2012). Entrepreneurial orientation variables are also significantly related to the growth of firm’s (Kim et al.,2015, Gupta and Batra, 2016, Nineh and Van Zil,2017) and one of the factors that determine the growth of firms is entrepreneurial orientation (Pratono et al., 2013; Mahmood & Hanafi, 2013). A Study by Awang et al., 2010 showed that innovativeness has significant and positive association with firm’s performance. Castillas and Moreno (2010) posited that firms that are proactive in pursuing opportunities can achieve more profit that those that are not proactive in the market. Farja et al., (2016) indicated the higher the level of
proactiveness in a company, the higher the level of growth. Risk taking has a positive and significant impact on the growth of local firms (Egger, 2013).

Institutional Factors and Firm’s Performance
Age has been of great concern in the entrepreneurship literature (Coad et al., 2018). Age is an important indicator of firm’s level of experience which is positively associated to its efficiency and its capacity to remain in the competitive market. (Nguyen, et al., 2015). Except for ownership, the business sector, firm’s age, foreign ownership level and foreign leverage was found to significantly influence performance. (Mallinguh et al., 2020). Age was also found a key determinant of firm survival based on the sector's life cycle (Esteve-Perez et al. 2018). The concept of firm size is central in marketing and strategic management. Firm size often gives an insight about of firm’s expertise and different production capacities (Shaheen and Malik, 2012). Being a key variable employed in categorizing organizations homogeneously, it is measured as number of employees or turnover of companies. (Walker and Tobias, 2006, St. Pierre et al., 2010). Several studies (Serrasqueiro and Nunes (2008) have shown that the increase in firm size contributes significantly to improvement in performance. Weterings & Koster (2007) and Bhutta et al., (2021) stated that managerial ability is an important dimension of human capital especially for firms which use resources efficiently in solving environmental problems to attain the sustainable growths. Balsmeier and Czarnitzki (2014) alluded that experiences of managers are part of their human capital and consists of technological, commercial, organizational and managerial skills and knowledge acquired by them during their careers. Thus, being a vital intellectual asset, which is not easily imitable by rivals, they presumably result in a competitive advantage of firms possessing them. Firms may also enhance their productivity through careful utilization of skilled human resources to achieve competitive advantages and sustainable growth in the market. Tran and Vo (2020) corroborated that human capital plays an important role in achieving the sustainable performance particularly in emerging markets.

Research Methods
This study was conducted in Akwa Ibom State. It is located in the southern part of Nigeria and is recognized as a major Niger Delta State with large deposit of hydro carbon. The state has Uyo as its capital with over 500,000 inhabitants. According to National population Commission, 2006, the state has an estimated population of about 3.9 million. State, It lies between latitude 4°33’ and 5°53 North and longitude 7°25’ and 8°25’ East. It is in the tropical region with dominant vegetation of green foliage of trees, shrubs and oil palm tree belt. The state is circumscribed to the North, East, West and south by Abia, Cross River, River States and Atlantic Ocean respectively. Rainfall ranges between 2000-3000 mm annually. The area is typically agrarian and depends heavily on rainfall. The total land area of state is 7,249 square kilometers and population density is 680 persons per square kilometer. According to National Population Commission, 2006, the estimated population of 3.9 million people. It has six (6) Agricultural Development program (ADP) zones namely: - Uyo, Eket, Ikot Ekpene, Abak, Oron and Etinan. The state has 2 seasons viz: - the dry season and rainy season.

The study employed multistage sampling technique in selecting the representative entrepreneurs. First, 3 Local Government Areas from each of the senatorial districts in the state were purposively selected due to the dominance of SMEs. Secondly, 66 SMEs were randomly selected from a list of agro allied entrepreneurs in the state. Thirdly, one manager or business owner was selected from each of the agro allied enterprise to make a total of 198. With the aid of questionnaire, information was elicited from business managers. Multiple regression
analysis was used to estimate the effect of entrepreneurial orientation on the performance of agro allied industries in Akwa Ibom State.

### Results and Discussion

#### Descriptive Statistics

Table 1 shows the summary statistics of explanatory variables used in the model. The mean age of entrepreneurs was 35 years. This is indicative that the entrepreneurs were within economically active and productive ages. Furthermore, the average years of schooling was 14 years suggesting that a good number of the entrepreneurs could read and write. Household members and years of managerial experience of the entrepreneurs ranged between 1-9 and 2-11 years respectively. Result revealed that proactiveness, competitive aggressiveness and new product have highest mean scores of 4.21, 4.09 and 4.05 respectively. This implies that entrepreneurs took initiatives to prevent anticipated outcomes, took actions that customers gained confidence in them and rebranded their products respectively.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>Mean</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>*Naira (N)</td>
<td>236,212</td>
<td>20,000-512,000</td>
</tr>
<tr>
<td>Autonomy</td>
<td>Scale</td>
<td>3.77</td>
<td>1-5</td>
</tr>
<tr>
<td>Risk taking</td>
<td>Scale</td>
<td>3.77</td>
<td>1-5</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>Scale</td>
<td>4.21</td>
<td>1-5</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>Scale</td>
<td>3.93</td>
<td>1-5</td>
</tr>
<tr>
<td>Competitive Aggressiveness</td>
<td>Scale</td>
<td>4.09</td>
<td>1-5</td>
</tr>
<tr>
<td>Our New Product</td>
<td>Scale</td>
<td>4.05</td>
<td>1-5</td>
</tr>
<tr>
<td>Age</td>
<td>Years</td>
<td>35</td>
<td>22-59</td>
</tr>
<tr>
<td>Education</td>
<td>Years</td>
<td>14</td>
<td>10-20</td>
</tr>
<tr>
<td>Household Size</td>
<td>Number</td>
<td>5</td>
<td>1-9</td>
</tr>
<tr>
<td>Managerial Experience</td>
<td>Years</td>
<td>5</td>
<td>2-11</td>
</tr>
<tr>
<td>Level of Capital</td>
<td>Naira</td>
<td>120,000</td>
<td>60,000-200,000</td>
</tr>
<tr>
<td>Years in business</td>
<td>Years</td>
<td>29</td>
<td>16-35</td>
</tr>
<tr>
<td>Age of business</td>
<td>Years</td>
<td>12</td>
<td>5-18</td>
</tr>
<tr>
<td>Size of Enterprise</td>
<td>Number</td>
<td>12</td>
<td>3-22</td>
</tr>
</tbody>
</table>

The result of multiple regression analysis on the extent to which institutional factors and each dimension of entrepreneurial orientation contribute to the performance of agro-allied enterprises in Akwa Ibom State. Seven (7) out of fifteen (15) parameters estimated in the model were statistically significant. Two out of the seven significant parameters were dimensions of entrepreneurial orientation namely innovativeness and risk taking whereas the remaining five were institutional characteristics of the enterprise namely managerial experience, years of business experience, entrepreneurial level of education, age and size of enterprise. Four functional forms were estimated and based on the F-value, number of significant variables, and R² values, the exponential functional form was chosen as the lead equation.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>8.3921</td>
<td>5.8892</td>
<td>1.4250</td>
</tr>
</tbody>
</table>
Effect of Entrepreneurial Orientation Dimensions on the Performance of Agro allied Industries

Result of the multiple regression analysis showed that risk taking was significant at p<0.05 and positively impacts the performance of agro allied firms. Result implies that the more firms and employees engage in risky investments, the better their performance. This result is consistent with earlier empirical finding of Egger (2013) who reported that firms that take risks concerning new ideas and solutions are more likely to have better performance.

Innovativeness is significant at p<0.01 and positively associated with the performance of small and medium enterprises. Result suggests that the more SMEs implement new strategies, plans or investments, the better their performance. Finding is synonymous with Zahra and Garvis (2000) and Eggar et al., (2013) who found that the creation of innovative solutions or new products or services is a pre requisite for firm's performance.

Educational level is significant and positively associated with the performance of SMEs. Result implies that the more educated managers were more likely to incorporate new ideas and technologies in business to increase profit. Finding is consistent with result of Filser and Eggers (2014) who found a positive impact of the education on the performance of SMEs. Magoutas et al., (2011) also reported similar finding that education is a positive influence on firm’s financial performance. Etim and Okon (2013), Etim and Edet (2013) and Etim (2015) also found that education equips and empowers people to interpret and respond to new ideas and information.

Managerial experience of the entrepreneur is significant at p<0.05 and positively related to performance. This implies that the more the experience in managerial ability, the better entrepreneur is able to effectively allocate both human and capital resources for the pursuit of profit. Result is suggestive that older entrepreneurs will have more productive skills and competence skills in managing resources, evaluating situations and taking decisions that will positively affect the organization (Udoh and Etim 2006a; 2006b, Loverty and Grace, (2012), Etim and Udoh,2014, Phan (2021). Finding is consistent with result of Boniface et al., (2015) who found that managerial expertise were positively associated with the performance of investment banks in Kenya.

Result of size of enterprise was statistically significant at (p<0.05) and showed a negative relationship with performance. Size of enterprise is a variable that helps to classify organizations into homogeneous groups and is mostly measured from the number of employees.
(Walker and Tobias, 2006). Result is suggestive that the larger the number of employees in business, the more the financial obligations which will lead to lower performance. Finding is synonymous with Sukin (2013) who reported that firms with fewer employees grow faster than those with more employees.

Years of business experience is significant and directly related with performance. Result implies that business owners who have spent considerable number of years in business have acquired skills and experiences that have eliminated production barriers thereby raising performance. This is synonymous with result of Blackburn et al., (2013), Doucoure and Diagne (2020) who found that people with longer years’ experience in business were likely to have more control on business operations through learning effect and encounter less production constraints to accomplishing higher performance.

Age of the business was significant (p<0.05) and positively related to firm’s performance. Result implies that older firms must have acquired stock of assets that have stimulated the growth of firms. This is consistent with result of Savino and Petruzelli (2012), Noordin and Mohtar (2014), Rossi (2016) who found that the survival and performance of firms increases with age of the firm. This is not unconnected to the fact that newer firms lack managerial expertise and competence to expand production and achieve economies of scale.

Conclusion

The study examined the effect of entrepreneurial orientation dimensions and, personal and institutional factors on the performance of small and medium agro allied enterprises in Akwa Ibom State. Multiple regression analysis was used to analyze the data. Result revealed that except for proactiveness, innovativeness and risk taking significantly and positively influenced the performance of SMEs. Furthermore, results showed that except the size of enterprise which WS negatively related to performance, educational level and managerial experience, years of business experience and age of the enterprise were significant and positively related to the performance of firms.

ORCID

Nsikak-Abasi A. Etim © https://orcid.org/0000-0003-3659-9599

References


Nsikak-Abasi A. Etim, Edet J. Udoh, Enobong E. King


Sok, P. (2014). The role of intellectual resources, innovation capability, reputational and marketing capability combinations growth. *International small business* 32(8): 996-1018


