

## Effect of Entrepreneurial Personality Competencies on Small and Medium Enterprises (Smes) Performance in Abuja Municipal Area Council of the FCT

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### Abstract

*The study empirically examines the effect of personality competencies on small and medium scale enterprises (SMEs) performance in Abuja Municipal Area Council of the FCT. 488 entrepreneurs were drawn randomly from a population of 1627 registered SMEs from Abuja Enterprises Agency record. A sample of 488 questionnaires was administered within the 18 units of zones and areas of AMAC, which constituted 30% of the population. The response rate was 341. Based on the responses, Regression analysis and ANOVA were used to analyse and interpret the responses gathered from the entrepreneurs, both analyses signify that personality competencies has effect on the performance of SMEs in Abuja Municipal Area Council of the FCT. It is therefore recommended that in the long run SMEs owners and managers should develop personality competencies through seminars and workshops for better future performances of their venture.*

**Keywords:** Entrepreneurial Personality Competencies, Small and Medium Enterprise (SMEs) Performance

### Introduction

The role of an entrepreneur's personality competencies is highly critical factor in achieving excellence in performance to measure a sustainable growth of a small and medium scale venture. Therefore, the importance of entrepreneurial competencies has been in increase during the past few decades due the strategic roles played by the entrepreneurs of small and medium enterprises (SMEs) on the socio-politico-economic life of Nigerians. In Nigeria, the SMEs sub-sector has been expanding,

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especially since the mid-1980s, following the prolonged recession in the economy which forced many large enterprises to lay off large proportion of their work force. The SMEs sector accounts for 70 percent of industrial employment. Also the agricultural sector, which largely consists of SMEs, employs over 60 percent of the entrepreneurs in national development, that the federal, states, local governments, and even some corporate institutions are continuously creating the enabling environment to enhance entrepreneurship. For example the federal and SMEs development could be seen from the establishment of Small and Medium Enterprises.

Since independence, Nigerian government have had clear conceptions and ideas about eradicating poverty and attaining sustainable development in all spheres of life (Mugwan, 2007) Thus, the government have been developing various reform programs that will see to enhanced performances of SMEs and has spent immense amount of money with the primary goal of developing these enterprises. The

Approved Minimum Academic Standard for teaching of Courses in Business Schools at the undergraduate level as to help the students identify opportunities and develop the necessary skills in entrepreneurship to venture into setting up businesses. The Government is therefore heavily concerned about developing small scale business operators or indigenous entrepreneurs to reduce unemployment create more employment opportunities and given the citizen a sense of self worth and confidence unfortunately these efforts are yet to yield desired results. This is evident in the country where SMEs are generally very susceptible to failure as only a few numbers of them have managed to survive. This could possibly suggest that SMEs performances in the country are yet to meet Government expectation and aspirations which could possibly be adduced to the concentration of the government on the entrepreneurship rather than the entrepreneur by enforcing and identifying the traits that can be requisite competencies to Nigerian entrepreneurs. Literature review has shown that entrepreneurial personality competencies (EPC) is among the most important determinants of SMEs performance. Also, no study on the effect of EPC on SMEs performance in AMAC was found from the literature at the moment. It is on this basis therefore that this study examined the effect of entrepreneurial personality competences (EPC) on SMEs performance in Abuja Municipal Area Council of the FCT.

The aim of this study is to examine the effect of entrepreneurial personality competencies (EPC) on small and medium scale enterprises (SMEs) performance in AMAC. Therefore, the researcher hypothesized that Personality Competencies (EPC) have positive significant effect on the performance of Small and Medium Scale Enterprise (SMEs) in AMAC.

## **Conceptual/Literature Review and Theoretical Framework**

Entrepreneurship is simply concerned with what an entrepreneur actually does the utilization of resources in managing an enterprise and assuming the risks and maximizing profit from the business venture. It is a very dynamic process of creating incremented wealth for the wellbeing of both the entrepreneur and individuals in society. Successful entrepreneurship requires the entrepreneur to possess certain personality characteristics. These characteristics are the ability to conceptualize and plan effectively; ability to initiate changes other individuals, ability to manage time effectively and to learn new techniques in handling business operations; and ability to adopt to change and to handle changes in our environment.

A pertinent starting point in conceptualizing entrepreneurial competencies is to first define competence. Competence is simply the ability, which an individual requires to do assigned job. In the words of Woodruffe (1990) competence is work related concept which refers to areas of work at which the person is

Therefore, competent employees or individuals are those who meet their performance expectations. In management used to describe the set of disparate skills, traits and knowledge managers require to help them perform their jobs. These skills are identified and effectively initiated in training courses or programs. Competencies therefore constitute a cluster of related knowledge, personalities, and skills, which an individual acquires and uses together, to produce outstanding performance in any given area of responsibility. In fact, in competency based training all three factors - knowledge, personality and skills must be effectively addressed, and taught in an integrated manner. This is the only way outstanding performance can be achieved.

Entrepreneurial competency is defined as the individual characteristics including attitude and behavior, which allow the entrepreneur to achieve business success (Sarwoko, Surachman, Armanu, Hadiwidjojo, 2013). According to Man, Lau and Chan (2002) entrepreneurial competencies are a set of higher-level characteristics involving personality traits, skills and knowledge. They can be viewed as the total ability of the entrepreneur to perform his role successfully. Moreover, Kiggundy (2002) noted that entrepreneurial competency is the sum

total of the entrepreneur's requisite attributes for successful and sustainable entrepreneurship, including attitudes, values, beliefs, knowledge, skills, abilities, personality, wisdom, expertise (social, technical, managerial), mindset and behavioral tendencies. According to Bird (1995), competencies are seen as behavioral and observable but only partly intrapsychic characteristics of an entrepreneur. Consequently, competencies are changeable and learnable, allowing intervention in terms of the selection, training and development of entrepreneurship. Man et al. (2002) identified six major areas of entrepreneurial

competencies in relation to an SME context, including opportunity, relationship, conceptual, organizing, strategic, and commitment competencies. These competencies are supposed to play different roles in affecting an SME's performance with their direct and indirect effects. As Hoffmann (1999) noticed; there are numerous definitions of entrepreneurial competencies. Bird (1995), for example, defined entrepreneurial competencies as fundamental characteristics, namely traits, self-image, motives, social roles, skills and knowledge that drive the growth of the organization. This is in line with (2002) definition of

as attitudes, beliefs, knowledge, skills, abilities, personality, expertise and behavioral tendencies needed for successful and sustaining

Entrepreneurial competencies also involve self-image, motives, entrepreneurial traits, behavior, skills, attitude and knowledge (Boyatzis (1982). Baum *et al.* as

knowledge, skills, personality and/or abilities required to perform a specific

Man and Lau (2005) argued that entrepreneurial competencies can basically be divided into two parts. The first part includes the elements relating to the - image, and social roles. And the second part involves the components which can normally be learned from theory and practice like skills, experience and knowledge.

Boyatzis (1982) argued that entrepreneurial competencies are strongly associated with managerial competencies. Competencies in this research are defined as the total capability of the entrepreneur to perform a job role successfully.

(Man and Lau, 2000) have classified entrepreneurial competencies into six major areas: opportunity competencies, organizing competencies, strategic competencies, relationship competencies, conceptual competencies and commitment competencies. For the purpose of this study we isolated two competencies that are more relevant to personality from the six competencies of Man and Lau, (2000). The competencies are commitment and conceptual competencies respectively:

**Conceptual Competencies:** Involve abilities such as cognitive, analytical thinking, learning, decision making, initiative, problem solving, sustaining temporal tension, innovating, and coping with uncertainty and risk (McClelland, 1987; Bird, 1995).

**Commitment Competencies:** The basic characteristics of successful entrepreneurs are diligence, commitment, trust worthiness, determination, dedication and confidence (Chandler and Jansen, 1992). As a whole, commitment competencies are the elements which force the entrepreneur to move ahead with the business. The study identified two competency areas each from commitment and conceptual: risk-taking propensity and initiative to be the constructs of conceptual,

while confidence and trustworthiness were the constructs chosen from commitment competencies.

Performance according to Hornby (2000) is described as an action or achievement considered in relation to how successful an organisation is. Performances are variously measured and the perspective are tied together and consistently monitored from the organization context (Jamil and Mohamed 2012) Looking from the Hornby (2000) definition, it can be reasonably concluded that performance is synonymous to success. What connotes performance varies from one organization to another. Garrigos, Simon, Marques & Narangajavana (2005) also categorised performance measurement into four, namely: (1) Profit which include: return on assets, return on investment and return on sales (2) Growth in term of sales, market share and wealth creation (3) Stakeholder satisfaction which include customer satisfaction and employees satisfaction and (4) competitive position. Man and Lau (2005). Stated performances measures related to sales growth return on sales, funding from operating profits, cash flow, return on study adopted the definition of performance by Man and Lau (2005).

based on Becker (1964) human capital theory, which deals with the added value of human resources. According to Barney (2001), the concept of human capital is equivalent to the concept of capabilities to utilize and manage a tangible resources. Human capital encompasses the formal education, age, gender experience, skills, knowledge and personality of entrepreneurs (Becker, 1976) and is developed through education, training and personal experience. In this paper, EPC is focused upon as the variable whose effect on SMEs performance in AMAC is being examined. It is held here that competence as a human capital is as important as physical resources such as land, cash, factories and machines and one can invest in human capital competence as any other resource. Human capital has been shown to be vital to the creation of firms as well as their performance, growth and survival in both western and non-western countries (Bhagavatula et al, 2008, Colombo and Grills, 2005).

## **Methodology**

### **Research Design**

This is a structured questionnaire based survey research. First, it explored the status of the personality competencies that the SMEs owners and managers have in the manufacturing and service sector in Abuja Municipal Area Council of the FCT. Then to identify whether there is any relationship between the personality competencies and SMEs performance through literature review. This was considered appropriate for this study due to its worth and strengths in gathering information, summarizing, presenting and interpreting data for the purpose of arriving at valid conclusion, according to Creswell, (2003).

## **Sampling Size and Sampling Technique**

The population of the study comprises of all registered SMEs with Abuja Enterprises Agency. The sampling technique adopted was simple random sampling method which was employed in selecting the sample. The population size is 1627 registered SMEs.

In determining the number of SMEs to administer the questionnaires to in respect of the population, a simple proportion by Yamane (1967) was used. The desired level of precision  $e = 0.05$  was assumed. Where;

$$n = N / 1+N (e)^2$$

$$N = 1627$$

$n$  = the desired sample size

$e$  = acceptable error limit (0.05)

in this case therefore:

$$= 1627/1627(0.05)^2$$

$$= 1627/4.08$$

$$= 400$$

400 SMEs were through simple random sampling method by putting the number of the SMEs in a bag and thoroughly shuffled and a sample randomly selected by picking one at a time without replacement and a sample of 400 SMEs were selected by given equal chance from the population of 1627 SMEs.

## **Data Collection Procedure**

A structured questionnaire was used for data collection. The questionnaire consists of three sections. The first section sought information on demographic and organizational characteristics of respondents and their SMEs respectively. The second and third sections sought information on EPC abilities of respondents that has effect on the performance of SMEs. Demographic characteristic focused on include name of organization, Rank/ position of the respondent, gender, years of service, level of education, type of organization. EPC capabilities and SMEs performances focused upon were risk-taking propensity, initiative, confidence, trustworthiness, operating profit, net profit, return on investment, sales growth, cash flow, investment efficiency and return on sales. Items in the first section were of the multiple choice response formats where respondents were requested to tick correct response option that best describe the feature being assessed. Items in the second and third section sections were of the likert scale format with five response options, viz: SA for strongly Agreed, A for agreed, UD for undecided, D

for disagreed and SD for strongly disagreed. For analysis sake, SA was scored 5 point, A 4 points, UD 3 points, D 2 points and SD 1 point.

and third sections of the instrument was used as the basis for determining the extent to which each of the independent variable (EPC) affects the dependent variable (i.e. performances of SMEs). The mean of the scores on each item was computed and disagreement.

The instrument was subjected to content and criterion validity by two experts in the field of English language and Entrepreneurship. Thereafter, necessary modifications were made before the instrument was pilot-tested on 20 SMEs in two locations ( Abaji and gwagawglada areas of the FTC) different from where the final research was undertaken. This was to make it reliability estimate possible. A cronbach alpha of 0.74 was obtained, indicating that the instrument was quite reliable for the study.

### **Result and Responses Rate**

400 questionnaires were distributed and 341 were returned given a response rate of about 85.3%. Therefore the response rate for this study was considered adequate for valid analysis.

### **Type of SMEs**

54.2% of the SMEs were from services sector, while 45.8% were from manufacturing sector.

### **Years of Service**

54.5% of the respondents had been in service between 1- 5 years, 29.6% were in service between 5-10 years, 6.2% were in service between 10-15 years, 9.1% were in service between 15-20 years and 0.6% was in service between 20 years and above. It could be seen that the responden between 1-5 years.

### **Gender**

82% were male and 18% were female. This indicates that the majority of the respondents were male.

### **Rank/ Position**

63.2% were owners, 21.5 were managers and 15.3% were workers. This implies that majority of the respondent are the SMEs owners.

### **Level of Education**

56% had B.Sc./HND, 34.0% had Diploma or NCE, 6.5% had First School leaving certificate and

0.9% had B.Sc. and above. This shows that majority of the respondents were B.Sc. Holders.

The effect of EPC on the performance of SMEs was to determine via the research question, this has eleven questionnaire items, which was used to source information for this purpose.

**Table 1 to 3 below shows multiple regression and ANOVA results for questionnaire items on the effect of EPC on the performance of SMEs in AMAC.**

**Test of Hypothesis**

**HI:** Personality competencies have positive significance effect on performance in AMAC

This hypothesis was tested at 5% level of significance and the decision rule is that, if the t-value is less than the critical value, the hypothesis would be accepted and if equal or greater than the critical value, it would be rejected.

**Table 1.**

**Multiple Regression Results**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.655 <sup>a</sup>	.429	.424		.01427	2.284

a. Predictors: Personality comp b. Dependent Variable: SMEs Performance

**Source: SPSS Output, 2016**

The above table shows an adjusted r square value of 0.424 indicates that 42.4% of the dependent variable (SMEs Performance) was explained by the independent variables (personality competencies) and the remaining 57.6% was explained by other factors not considered in this study. However, based on the adjusted r square result, entrepreneurship competencies appeared to be a strong variable for predicting the performance of SMEs in Abuja Municipal Area Council of the FCT.

**Table 2 ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.052	3	.017	84.452	.000 <sup>b</sup>
	Residual	.069	337	.000		
	Total	.120	340			

a. Dependent Variable: SMEs Performance b. Predictors: Personality comp

**Source: SPSS Output, 2016**



The above table (ANOVA<sup>a</sup>) shows significant level of 0.00 which is far below the established significant level of this paper (0.05). Therefore, the F-statistic (84.452) is large enough for this study to infer that the independent variables (personality competencies) have significant effect on the Performance of SMEs in AMAC. The implication is that an increase in the effectiveness of the independent variables (personality competencies) will lead to an increase in SMEs performance in AMAC.

**Table 3**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.009	.005		1.630	.104
1 Personality competencies	.387	.088	.249	4.392	.000

a. **Source: SPSS Output, 2016.** Dependent Variable: SMEs Performance

The results from the table above show that personality competencies has significant positive impact on the performance of SMEs in AMAC, this is indicated from the beta coefficient of .249 which is significant at p value of 0.00. This suggests that, when personality competencies increase by 1%, SMEs performance in AMAC also increases by 24.9%. The study therefore infers that personality competencies have significant positive effect on the performance of SMEs in Abuja Municipal Area Council of the FCT.

**Discussion of Findings, Conclusion and Recommendations**

The study found that personality competencies have significant positive effect on the performance of SMEs in Abuja Municipal Area Council of the FCT and this effect accounted for 42.4% of the variation in performance. The relationship is also indicated from the beta coefficient of .249 which is significant at p value of 0.00. This suggested that, when personality competencies increase by 1%, SMEs performance in AMAC also increases by 24.9% (This connotes leverage of efficiency employed).

Therefore, the study concludes that personality competencies have significant effect on the performance of SMEs in AMAC and which shows that entrepreneurial competencies is highly critical factor in achieving excellence in performance to measure sustainable growth of small and medium scale venture.

Based on the above findings and conclusions; it therefore recommended that in the long run, SMEs owners and managers should focus on developing personality competencies through seminars and workshops for better future performance of SMEs in AMAC.

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