An Open Access Journal Available Online

Enhancing the Performance of Agro-Based SMES: The Role of Entrepreneurship Competencies

Ibidunni Ayodotun Stephen (Ph.D)*[1], Olokundun Maxwell Ayodele (Ph.D.)[2], Oke Adunola Oluremi (Ph.D)[3] & Nwaomonoh Ifeoma C.[4]

[1234]Department of Business Management,
Covenant University, Ota, Ogun State, Nigeria.

[1]ayodotun.ibidunni@covenantuniversity.edu.ng;
[2]maxwell.olokundun@covenantuniversity.edu.ng;
[3]adunola.oke@covenantuniversity.edu.ng;
[4]Ifeoma.nwaomonoh996@gmail.com

***Abstract*:** The role of entrepreneurial competencies in enhancing the performance of SMEs, especially in the agro-based industry of developing economies such as Nigeria has not been discussed extensively in extant literature. Therefore, this research is focused on examining the role of entrepreneurial competencies in enhancing the performance of agro-based SMEs. The study used 232 copies of questionnaires that were administered to agro-based business owners and managers in Lagos State as the data gathered instrument. Data analysis was carried out using regression analysis to show relationships between the variables. At different levels, the findings revealed that entrepreneurial competencies relates with the firms' profitability, customer base, organisational effectiveness, and sales growth. Therefore, the study recommended that entrepreneurial firms should consciously develop the ability of being sensitive to the environment and the ability to recognize opportunities in the market place.

***Keywords*:** Entrepreneurial competencies, entrepreneurial orientation, performance, SMEs, Nigeria

1. Introduction

Entrepreneurial competency refers to personal skills, abilities and knowledge which entrepreneurs use to achieve growth and success of their firms (Dermol, 2010; Oyeku, Oduyoye, Asikhia, Kabuoh & Elmo, 2014). According to Man, Lau and Chan

(2002) and Aruni, Akira and Hironori (2014) entrepreneurial competencies include: strategic, commitment, organizing, relationship, conceptual, opportunity competencies. These dimensions of entrepreneurial orientation have been found to significantly influence entrepreneurial firms' performance through their ability to set business goals for the firm, clearly stating how the goals will be achieved, taking corrective measures and steps to achieve the goals (Solesvik, 2012). They also enhance the ability of the entrepreneur to reason or think from different perspectives when making decisions (Lans, Verstegen and Mulder, 2011), and to identify business opportunity that can be exploited in the environment.

The role of entrepreneurial competencies in achieving higher levels of performance in entrepreneurial firms has been discussed in existing literature, for example, Noor, Hasliza and Siti (2010) and Sanchez (2011). None the less, research has revealed that the rate of failure of small and medium enterprises in developing countries, like Nigeria is quite high (Okpara & Wynn, 2007). Besides, most existing researches on entrepreneurial competencies and firm's performance reside in developed countries (for example, Lans, Vertegen & Mulder, 2011). Thus, there is still dearth of empirical literature, especially in developing nations like Nigeria, to show the role of entrepreneurial competencies in enhancing the performance of SMEs in strategic industries to their economy, such as agro-based firms. Therefore, this research is focused on examining the role of entrepreneurial competencies in enhancing the performance of agro-based SMEs.

2. Literature Review

Entrepreneurial competencies are referred to as person's traits such as motives, specific knowledge, capabilities that lead to the success of a firm (Solesvik, 2012). According to Iandoli, Landstrom and Raffa (2007) entrepreneurial competencies are the abilities of an entrepreneur to effectively deal with critical issues by applying situational and internal skills and resources for the overall value of the organisation. These competencies can be learnt as a result of formal education and some are inbuilt features as a result of experience (Brownell, 2006). The areas of entrepreneurial competencies reflect that it is an important concept for improving entrepreneurship performance (Aruni, Akira, Hironori; 2014).

Man, Lau and Chau (2002) identified six major areas of entrepreneurial competencies they are opportunity competencies, relationship competencies, conceptual competencies, organizing competencies, strategic competencies and commitment competencies. These entrepreneurial competencies play direct and indirect roles in affecting the performance of a firm (Aruni, Akira & Hironori, 2014; Thomas, Theresa, & Snape, 2008).

Strategic competencies involves the abilities of an entrepreneur to set, execute and evaluate the strategies of the firm. These competencies can be compared to strategic management. They are characteristics, skills and knowledge that an entrepreneur should have to enable the entrepreneur envisions where it is going and how it wants to get there. It is the abilities of the entrepreneur to come up with long term goals for the business. According to Solesvik (2012) Entrepreneurs who lacked strategic competencies are individuals who perceive their environment as being too complex therefore they could not accurately predict the possible future outcome of their business.

Conceptual competencies enables the entrepreneur to think beyond the norm and creatively generate new ideas. Man et al (2002) suggested that risk taking, innovativeness and decision making skills are part of conceptual competencies. Decisions are needed to be made by the entrepreneur in their firms, when decision made involves unstructured problem then new ideas to solve this problem must be generated (Solesvik, 2012). Conceptual competencies are required by the entrepreneur to survive in a dynamic environment by being proactive, creative and innovative in his activities. Conceptual competencies involve separating facts from opinions and trying to see things from the big picture.

Opportunity can be simply defined as not a completely formed market need, a technology, a product or service or an invention which has no defined market yet (Ardichvili, Cardozob and Ray, 2003). It is the ability of an entrepreneur to be able to see opportunities in the business environment. An entrepreneur that has opportunity competencies is characterized by the abilities to sense opportunities in the market and take advantage of the opportunity. It is the ability for an entrepreneur to sense a need and develop value adding product to satisfy the need.

Organizing competencies are associated with managerial competence, human resource management competence and financial management competence (Murray, 1996; Brownell, 2006, Brinckmann et al 2011). Organizing competencies is closely related to the management aspect of the organisation. This is very important because entrepreneurs most times are required to perform various tasks in the functional areas of their firm. It involves monitoring and ensuring that activities are carried out properly in the organisation.

Relationship competencies enable the entrepreneur to network with other people so as to get valuable information that will help the entrepreneur in sourcing for resources like raw materials and to venture into other activities. It also enables the entrepreneur to connect with other people into similar activities so as to share knowledge and ideas about ways things can be better done. Building a relationship of trust with customers and suppliers enables the entrepreneur to get suggestions from them on how to carry out their business operation in a better way and it enables the entrepreneur to get credit facilities from suppliers (Solesvik, 2012).

Commitment competencies involves abilities to drive business and be devoted to achieving the goals of the business and be devoted to achieving the goals of the business (Solesvik, 2012). Commitment competencies include drive, will, duty, responsibility and perseverance Baum and Locke (2004), Lans et al (2011), Markman and Baron (2003). Commitment competencies are the abilities that enable an entrepreneur to move ahead even after failing and making mistakes.

2.1 Relationship between Entrepreneurial Competencies and Firm Performance

Prior Literature has shown that entrepreneurial competencies have significant effect on firm's performance (Man et al; 2002). The capability for the entrepreneur to recognize opportunities in the business environment enables the entrepreneur to venture into activities that enables the firm to have competitive advantage (Noor, Hasliza and Siti; 2010, Solesvik; 2012). Entrepreneurial competencies affect the firm performance and also affect the competitiveness of the firm.

The ability for the entrepreneur to build a relationship of trust with their customer and suppliers and the ability to successfully partner or network with suppliers and other people encourages flexibility in production and other business activities. The ability to think quickly of solutions to problems encourages creativity and taking of calculated risk (Solesvik, 2012). The ability to coordinate and organize activities in the firm ensures smooth running of activities within the firm. The ability to set goals, execute plans and evaluate actions enables the entrepreneur to use his resources to achieve competitive advantage.

3. Methodology

The research design that was used in this research is survey research. In survey research the opinions of people will be collected by use of questionnaires. The opinion of agro-based SMEs' owners and managers was collected so as to answer the questions of this research hypothesis. The population of this study is the agro-based firms that operate in Lagos and the estimated population of the registered agro based firms in Lagos is 1500 firms (Ibidunni & Falola, 2013). Hair, Black , Babin and Anderson (2010) argued that a sample size of between 100 and 200 is considered appropriate given a research involving a fairly large population. Thus a sample size of 232 was used for this project. Based on internal consistency, a Cronbach alpha value of 0.803 was arrived at to ascertain the reliability of the reliability of the items in the research questionnaire. The regression analysis was used to test the research hypotheses.

4. Analysis and Results

The respondents that made up the study consist of both the male and female gender, however, the sample is made up of more males 180(77.6%) than female 52(22.4%) respondents. In terms of the age of respondents, 44(19.0%) of the respondents were between 21-30 years, 97(41.8%) of the respondents were between the age of 31-40 and 91(39.2%) of the respondents are 41 years and above. All respondents included in the sample were Nigerians. With respect to the educational qualification of the respondents, 18(7.8%) of the respondents have WASSCE/ O LEVEL, 38(16.4%) of the respondents have NCE/ OND, 139(59.9%) of the respondents have HND/ B.SC, 27(11.6%) of the respondents have a POST GRADUATE/ MBA and 10(4.3%) fall under the category of others. According to the samples 49(21.1%) of the firms have been in operation for less than 5 years, 76(32.8%) of the firms have been in operation for 6-10 years, 59(25.4%) of the firms have been in operation for 11-15 years and 48(20.7%) of the firm have been in operation for 16 years and above. More so, 219(94.4%) firms have below 100 staff, 11(4.7%) firms have between 100-199 staff, 2(0.9%) firms have 200-299 staff and no firm had 300-399 staff. This shows that most firms in the agro-based business are small and medium enterprises. With respect to position occupied in the firm, 67(28.9%) of the respondents occupy the position of Chairman/ M.D, 74(31.9%) of the respondents occupy the position of senior manager in their firm, 18(7.8%) of the respondents occupy the position of CEO/ Deputy M.D in their firm, 73(31.5%) of the respondents are managers in their firm. According to the sample, 51(22.0%) of the firms' business operations are fishery, 34(14.7%) of the firms' business operation are farming, 58(25.0%) of the firms' business operation are poultry, 69(29.7%) of the firms are involved in sales of agro allied products and 20(8.6%) of the firms fall under the category of others.

Table 1: Regression Results of Entrepreneurial Competencies and Firm Performance

Independent Variable	Dependent Variable	R	R^2	β	F-value	Sig.
Opportunity	Profitability	0.235	0.055	.256	F(4,227) = 3.305; sig. = 0.012	.001***
Conceptual				-.075		.366
Strategic				.006		.944
Commitment				.048		.487
Opportunity	Customer Base	0.109	0.012	-.002	F(4,227) = 0.686; sig. = 0.602	.977
Conceptual				.052		.545
Strategic				.075		.361
Commitment				-.001		.985
Opportunity	Sales Growth	0.214	0.046	.170	F(4,227) = 2.717; sig. = 0.031	.023*
Conceptual				.061		.468
Strategic				-.122		.130
Commitment				-.056		.421
Opportunity	Organisational Effectiveness	0.375	0.141	.005	F(4,227) = 9.283; sig. = 0.000	.945
Conceptual				.219		.006**
Strategic				.153		.046*
Commitment				-.252		.000***

Source: Ibidunni et al (2017)
***$p \leq 0.001$, **$p \leq 0.01$, *$p \leq 0.05$

Table 1 shows the regression results of four entrepreneurial competencies on performance variables. The first level of relationship reflects the effect of entrepreneurial competencies on firms' profitability. Only opportunity competency is statistically significant to profitability ($r^2 = 0.055$, β = 0.256, sig. = 0.001). The second set of relationships shows that entrepreneurial competencies have no statistically significant role on the firms' customer base. At the third level, the sales growth of the firms is statistically influenced by opportunity competency ($r^2 = 0.046$, β = 0.170, sig. = 0.023). At the forth level, three dimensions of entrepreneurial competencies have significant effects on organisational effectiveness. These are: conceptual competency (β = 0.219, sig. = 0.006); strategic competency (β = 0.153, sig. = 0.046); and commitment competency (β = -0.252, sig. = 0.000). Together, these three entrepreneurial competencies account for 14.1 percent ((r^2 = 0.141) of the effect of entrepreneurial competencies on organisational effectiveness.

5. Discussion

Findings from this study proved that entrepreneurial competencies, especially the opportunity competency, enhance profitability. Firms with competitive advantage are firms that are more profitable in that particular industry. Other researchers such as (Solesvik, 2012; Chandler and Hanks, 1994; Murray, 1996) found out that opportunity competencies essentially lead to competitive advantage of firms which also leads to the profitability of firms. The findings of this study shows consistency with the finding of previous researchers because opportunity or a need identified in the business environment irrespective of the location or culture provides the entrepreneur the chance to increase the firm's profit margin.

In addition, this study showed that entrepreneurial competencies does not influence customer base of firm. Since the customer base of the firm are made up of people that patronize the firm regularly, it might be significant for owners and managers to think of relationship based competencies and competencies that enhance their access to information about the customers (Robles & Zárraga-Rodríguez, 2015). More so, opportunity competency was shown to influence sales growth. This indicates that that ability of the entrepreneurs to access new opportunity and gaps in their existing market can be a leverage for enhancing their sales volume, for example through the creation of new products (Ibidunni & Falola, 2014).

Findings from this study show that entrepreneurial competencies impact organisational effectiveness particularly the conceptual, strategic and opportunity competencies. The findings of this research are consistent with the findings of (Abolaji & Ibidunni, 2015; Solesvik, 2012). Conceptual competencies impact on the effectiveness of the firm because decision making skills are important for managing a venture and decision making skills make up the conceptual competencies. Commitment competencies also influence organisational effectiveness by enabling the entrepreneur to be committed or to be driven by the vision of achieving the goals and objectives of the firm. While, strategic competencies enhance organisational effectiveness by enabling the entrepreneur to come up with long-term goals and objective that makes up the reasons why the firm is in existence.

6. Conclusion and Recommendation

The study examined the role of entrepreneurial competencies in enhancing the performance of agro-based SMEs in Nigeria. Generally the statistical relationship between entrepreneurial competencies and performance was weak, except with organisational effectiveness. The recommendations of this research therefore include that entrepreneurial firms should consciously develop the ability of being sensitive to the environment and the ability to recognize opportunities in the market place. Also, entrepreneurial firms should not just rely on being reactive to the business environment by waiting for new trends to force them away from the normal way of carrying out their activities but they should also be proactive in the business environment by being an agent of change. In achieving effective organisations, the owners and managers of agro-based SMEs should be strategic, critical thinkers and be committed to their firms' strategic directions and stakeholders' satisfaction.

References

Abiodun, A. J. & Ibidunni, A. S. (2015). Strategic orientation and performance of agro-based firms in transition economy. African Journal of Business Management, 8(13), 495-501.

Ardichvili A, Cardozob R & Ray S (2003). A theory of entrepreneurial opportunity identification and development. Journal of Business Venturing, 18(1), 105-123

Aruni, W., Akira, K. & Hironori, Y. (2014). Entrepreneurial Competencies and Entrepreneurial Orientation of Tea Manufacturing Firms in Sri Lanka. Asian Social Science, 10(18), 50-62

Baum R. J. & Locke E. A. (2004). The relationship of entrepreneurial traits, skill and motivation to subsequent venture growth. Journal of Applied Psychology, 89(4), 587-598

Brinckmann J., Salomo S., & Gemuenden H.G. (2011), Financial management competence of founding teams and growth of new technology-based firms. Entrepreneurship Theory and Practice, 35(2), 217-243

Chandler, G.N., & Hanks, S.H. (1994). Market attractiveness, resource-based capabilities, venture strategies, and venture performance. Journal of Business Venturing, 9(4), 331-349

Dermol, V. (2010). Development of Entrepreneurial Competences. International Journal of Euro-Mediterranean Studies, 3(1).

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2009). Multivariate Data Analysis. Upper Saddle River, NJ: Pearson Prentice Hall., 7th edition

Iandoli, L., Landström, H., & Raffa, M. (2007). Introduction: entrepreneurship, competitiveness and local development. In L. Iandoli, H. Landström, & M. Raffa (Eds.), Entrepreneurship, Competitiveness and Local Development (pp. 1-24). Edward Elgar Publishing. Brownell J. (2006). "Meeting the competency needs of global leaders: A partnership approach", Human Resource Management, 45(3), 309-336

Ibidunni, A. S. & Falola, H. O. (2014). Impact of strategic orientation dimensions on new product development of agro-based firms. Economics and Management Research Projects: An International Journal, 3(1), 1-8

Lans, T., Verstegen, J. & Mulder, M. (2011), Analysing, Pursuing and Networking: A Validated Three-Factor Framework for Entrepreneurial Competence from a small business perspective. . International Small Business Journal, 29(6), 695-713

Man, T. W. Y., Lau, T., & Snape, E. (2008). Entrepreneurial competencies and the performance of small and medium enterprises: An investigation through a framework of competitiveness. Journal of Small Business and Entrepreneurship, 23(3), 257-276

Man, T.W.Y., Lau, T. & Chan, K.F. (2002). The Competitiveness of Small and Medium Enterprises: A Conceptualization with Focus on Entrepreneurial Competencies. Journal of Business Venturing, 17(2), 123–42

Markman G.D. & Baron R.A. (2003). Person-entrepreneurship fit: Why some people are more successful as entrepreneurs than others. Human Resource Management Review, 13(2), 281-301

Murray G. (1996). A synthesis of six exploratory, European case studies of successfully exited, venture capital-financed, new technology-based firms. Entrepreneurship Theory and Practice, 20(4), 41-60

Noor, H. A., Hasliza, A. H. & Siti, R. M. Z. (2010). Is Entrepreneurial Competency the Silver Bullet for SME Success in a Developing Nation? International Business Management, 4 (2), 67-75

Okpara, J. O. & Wynn, P. (2007). Determinants of Small Business Growth Constraints in a Sub-Saharan African Economy. SAM Advanced Management Journal, 12, 23-31

Oyeku, O. M., Oduyoye, O., Asikhia, O., Kabuoh, M., & Elemo G. N. (2014). On entrepreneurial success of small and medium enterprises (SMEs): A conceptual and theoretical framework. Journal of Economics and Sustainable Development, 5, 14-23

Roblesa, L. & Zárraga-Rodrígueza, M. (2015). Key Competencies for Entrepreneurship. Procedia Economics and Finance, 23, 828 – 832

Solesvik, M. Z. (2012). Entrepreneurial Competencies in Emerging Context. 17th Nordic Conference on Small Business Research, Helsinki, 23-25 May