

ROLES OF PROACTIVENESS ON PERFORMANCE OF SMALL AND MEDIUM-SCALE ENTERPRISES IN SOUTHWEST NIGERIA

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Abstract

This study examined the roles of proactiveness on the sales performance of small and medium-sized enterprises (SMEs) in southwest Nigeria. Data were collected through primary method with the use of a structured questionnaire administered randomly to a sample of 400 owners, managers/supervisors carefully selected from SMEs who have been in existence for a period of not less than five years and above through a multi-stage sampling technique. Confirmatory Factor Analysis (CFA) was used to analyse the roles of proactiveness on the performance of SMEs in Southwest Nigeria. The study results showed that proactiveness has a positive and significant effect on small and medium-sized enterprises' (SME's) sales performance in southwest Nigeria. It was concluded through the study that proactiveness is an integral part of SMEs' owners in southwest Nigeria to achieve a significant and optimal sales performance. This means that, the more firms take advantage of proactiveness in the management of their small business organisations, the increase in the sales performance could raise by 47%. This implies that in general, proactiveness plays a crucial and significant role in achieving an increased sales level of SME performance.

Keywords: Small and Medium-sized Enterprise, performance, proactiveness, Southwest Nigeria, Business.

1.0. Introduction

Continuous investment in proactiveness by Small and Medium-sized Enterprises (SMEs) owners is sacrosanct in ensuring organisational performance, economic and industrial growth of Nigeria. Proactiveness has been noted to be a major and significant role player towards improving SMEs sales performance in southwest Nigeria (Ibijoju & Akeke, 2022). Small and Medium-sized Enterprises (SMEs) are recognised as agents of economic growth and employment generation in both developed and developing nations. Bayarcelik, Tasel and Apak (2014) observed that proactiveness significantly contribute to the performance of SMEs which support the nations' economic development across the globe. Ibijoju and Akeke (2022) further posited that proactiveness is highly crucial in determining the sales performance of SMEs. Micro, small and

medium enterprises (MSMEs) employment account for nearly 85% of jobs in the industrial sector, and contribute 49.78% of GDP in Nigeria (Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS), 2017).

Considering the significant roles being played by SMEs in the economy in Nigeria, numerous initiatives have been launched in recent years to boost this sector (i.e. SMEs) by the government, including the establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003, the implementation of the National Enterprise Development Program (NEDEP) on February 12, 2014, and the establishment of the Micro, Small, and Medium Enterprises (MSMEs) national and regional development councils (Ibijoju & Akeke, 2022).

Despite these government's efforts, SMEs in Nigeria still face a number of challenges, including insufficient strategic orientations and infrastructure development, a lack of expertise and experience, insufficient competence, mismanagement, inadequate technical know-how in the export market (Adegbite, Ilori, Irefin, Abereijo & Aderemi, 2007).

It is possible that financial interventions will be insignificant in the event that the individual beneficiaries/business owners do not demonstrate an acceptable degree of proactiveness to enhance reasonable support for the growth and survival of SMEs. It is of importance to demonstrate a high level of proactiveness which is a fundamental ingredient of SMEs performance, in order to maximize the effective usage of such government interventions.

A good knowledge of the factors that are responsible for organisational performance is essential, particularly during the present economic imbroglio, because it gives rooms for the identification of those parameters that require more attention to boost the performance of the organisation. As a result, in this research work, the performance of SMEs will be examined with a special focus on sales volume.

1.2. Statement of the Problem

Studies on proactiveness and SME performance have been conducted largely in developed countries e.g. (Arief *et al.*, 2013, Boohene, Marfo-Yiadom, and Yeboah (2012)). It is revealed by studies that the concept of relationship between proactiveness and sales performance of Small and Medium Scale Enterprises has not gained enough empirical attention in Africa (Audrey &

Jaraji, 2016) in which Nigeria is inclusive but rather concentrated to Western, Middle and Far East. The issue of proactiveness and how it relates to firms' performance and particularly SMEs is therefore not yet explored extensively. Further studies indicated lots of inconsistent results on whether proactiveness particularly influence firms' performance. Hence, no generally accepted result. This paper is therefore necessary to cover such gaps by contributing to the entire body of knowledge in Africa and majorly in Nigeria where the research fissure is widely observed. The result of this research has also put an end to all-the-while debatable arguments on the roles of proactiveness on sales performance of SMEs in Nigeria by giving precision on the concept through its results and findings. The paper is therefore a wakeup call for empirical studies that assess the roles of proactiveness on sales performance of SMEs in Nigeria.

2.0. Literature Review

2.1. Conceptual Review

2.1.1 Proactiveness

According to the definition of proactiveness, it is characterized by a forward-thinking approach incorporating the launch of new items ahead of competition, in the estimation of future sales, with the goal of influencing and capturing the environment to the company's benefit (Lumpkin & Dess, 2001). The goal of proactiveness is to outsmart opponents and gain a competitive advantage, as a result, get first mover advantage while also gaining and maintaining client loyalty (Ambad & Wahab, 2013). When a company is proactive, it is more likely to introduce new products or processes to the market ahead of competitors, and it is more likely to seek out opportunities to do so (Arief *et al.*, 2013). A proactive firm, according to Kithaka (2016), is defined by aggression and unusual marketing methods toward competitors in the same market category. Proactive organisations capture their environments by actively identifying and accessing possibilities. Proactive businesses are in the habit of introducing new products and technology, as well as administrative practices, in order to change their environment rather than reacting to it (Callaghan, 2009).

To be successful in a competitive global business environment, Ambad and Wahab (2013) asserted that a reasonable degree of proactiveness must be put into practice, particularly in an environment where competitors are no longer confined to individuals in the same neighborhood, but can also be found in advanced countries such as China, Singapore, India, and other developing countries.

2.1.2. Small and Medium Enterprises (SMEs)

Small and medium-sized enterprises (SMEs) are commonly seen as critical drivers of economic growth; nonetheless, even within the same country or region, there is no consensus on what makes a SMEs. However, the focus of this paper is on Nigeria's National Policy on SMEs, which defines micro enterprises as those with total assets of less than N5 million (excluding land and building) and fewer than 10 employees; small enterprises as those with total assets of more than N5 million but less than N50 million (excluding land and building) and between 10 and 49 employees; and medium enterprises as those with total assets of N50 million to less than N500 million (excluding land and building) and greater than 50 employees (including managers). The employment criterion takes precedence over the asset criterion when there is a conflict between the two (NEDEP, 2013).

2.2. Theoretical Review

2.2.1. Opportunity-Based Theory of Entrepreneurship

Drucker and Stevenson as referenced in Kwabena (2011), provide the theoretical foundation for opportunity-based theory. An opportunity-based approach to entrepreneurship research provides a broad conceptual framework that may be applied to a variety of themes. Entrepreneurs, according to the Schumpeterian and Austrian schools, do not produce change, but rather take advantage of it (in technology, consumer tastes, and so on). They go on to say that in entrepreneurship and business, the entrepreneur is constantly keeping an eye out for change, adjust to it, and take advantage of it. As Drucker and Stevenson demonstrate in their opportunity construct, entrepreneurs are more interested in the opportunities offered by change than they are in the issues. They come to the conclusion that the core concept of entrepreneurial management is the "pursuit of opportunity regardless of resources currently controlled."

2.2.2. McClelland's Theory of Relativity

McClelland developed the hypothesis of high accomplishment motivation, which is still in use today (Olaniran, Namusonge & Muturi, 2016). In this section, he defined two qualities of entrepreneurship: (1) the ability to think of new and better ways to do things, and (2) ability to make decisions in the midst of uncertainty. He went on to say that people who have a strong desire to attain success usually have more tendency to become entrepreneurs. That these people aren't motivated by money or other external factors, but rather see profit as a measure of success or skill in any endeavour.

2.3. Empirical Review

Wambugu, Gichira, Wanjau, and Mung'atu (2015) set out to find out whether the proactiveness of agro-processing SME's in Kenya has an impact on their firm's success. A systematic questionnaire was used to collect information from 111 small and medium-sized agricultural processing businesses. The samples were acquired from the records of the Kenya Association of Manufacturers' registered members, according to the organisation. In structural equation modeling, the partial least squares (PLS) technique was used, including PLS algorithms and bootstrapping procedures in Smart PLS 2.0. The two processes of data analysis employed in this study were measurement outer model estimate and structural inner model estimate. According to the study, proactiveness was a strong predictor of corporate success in agro-processing SMEs in Kenya.

With special reference to Taiwanese SMEs operating in China, Kai-Ping (2014) conducted a study on the effects of proactive entrepreneurship and social adaptability on innovation, which was published in 2014. For this study, the sample included 812 members of Taiwanese SMEs's top-ranking management or owners who were recruited from the Taipei Investment Association in Fujian province, China, and participated in the research. The information was gathered by mail questionnaires, which were complemented by a focus group. On the whole, 226 were returned, reflecting a response rate of 27.83 percent. The data was analysed with the help of Factor Analysis (FA). According to the study's findings, entrepreneurial proactiveness and social flexibility are both positively associated with the accumulation of structural and relational capital. The acquisition of structural capital is related to the acquisition of human capital in a positive way and the acquisition of relational capital is favourably related to the acquisition of tacit knowledge. Overall, the ability to progressively innovate has been discovered to be critical to the survival and competitive advantage of Taiwanese SMEs doing business in China.

3.0. Research Methods

The area covered in this research work is southwest Nigeria. This includes the following states; Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti. They are predominantly Yoruba speaking states of the country characterized with a considerable level of educational growth as well as presence of a plethora of natural resources (Ajayi, Aderinola, Afolabi, Alfred & Okunola, 2016). They are basically Yoruba ethnic group with common language and culture. The region according to 2006

census has a population of 32.5 million people which makes up approximately 21% of the national population (Ajayi, *et. al.*, 2016).

The study adopted descriptive survey research design in administration of questionnaire to a sample of 400 SMEs owners in southwest Nigeria; using Yamane (1967) model. Out of the (400) total number of the distributed questionnaire, a total of 322 (80.5%) was successfully completed, returned and collated for the study. The questionnaire was made up of three sections as follows; section A contained the bio-data variables of the respondents. Section B measured roles played by proactiveness (which deals with assertiveness towards competitors) in performance of SMEs as propounded by Covin and Selvin (1989, 1991) because they have been used by most previous studies such as Klerk, Palmer and Wyk (2012) and documented to have achieved high level of reliability and validity in various studies (Kreiser, Marino & Weaver, 2016) while, section C contained items relating to SMEs performance; financial and non-financial performance measures such as sales growth, profitability, market share and customer growth as used by Kithaka (2016) and modified.

5-Likert point rating scales as developed by Vagias (2006) were used to measure all items of the questionnaire. The questionnaire were self-administered to the 400 respondents through proportional sampling technique to make sure fairness is achieved among all the heterogeneous categories of SMEs (manufacturing, production and services) while in each category, a basic random technique was employed to choose respondents who were only the owners, managers and/or the supervisors of the SMEs. Examining the relationship between proactiveness and sales performance of SMEs in southwest Nigeria, the study adopted descriptive statistics (such as frequencies and percentages) and inferential such as structural equation modelling (SEM).

4.0. Results and Discussion

4.1. Objective 1: Roles of proactiveness on Sales Performance of SMEs

Proactiveness (proactiv)

The Proactiveness factor of EO shows a KMO score of 0.625 (Table 1).The result indicates sampling adequacy and confirmed that the convergence of the items on proactiveness factor is valid. The items of the factor (proactiv1- proactiv6) account for almost 63% variance. The factor loadings of greater than 0.6 show validity of the items of proactiveness.

Table 1: KMO Analysis of Proactiveness Construct

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.625
Bartlett's Test of Sphericity	Approx. Chi-Square	105.471
	Df	15
	Sig.	.000

Source: Data Analysis (2022)

Results in Table 2 show that most of the constructs have high factor loadings, suggesting that proactiveness are crucial to performance of SMEs. The results show that continuous monitoring of events and trends in the market to identify customer expectations (proactiv4) is high (0.862), ascertaining the role of marketing factors in ensuring proactiveness of the firm for the success of SMEs. Also, if a firm has strong tendency to be ahead of others in introducing novel ideas or products (proactiv3), the potential for high level of proactiveness could be established (0.721). In addition, initiations of actions that competitors respond to (proactiv2) contributes highly to the overall level of proactiveness of SMEs (0.707). Capacity of the firms to keep competitors locked out of the market (0.645) is also relevant to keeping the firms proactive.

Table 2: Factor Analysis of Proactiveness Construct

Component	Factor loading	Initial Eigenvalues		Extraction Sums of Squared Loadings		
		% of Variance	Cumulative %	Total	% of Variance	Cumulative %
proactiv1	.635	33.112	33.112	1.987	33.112	33.112
proactiv2	.707	18.410	51.522	1.105	18.410	51.522
Proactiv3	.721	15.162	66.684			
proactiv4	.862	14.224	80.908			
Proactiv5	.555	10.903	91.811			
proactioiv6	.645	8.189	100.000			

Source: Data Analysis (2022)

4.4 Discussion of Findings

4.4.1 Path Analysis of Confirmatory Factor Analysis of the Model

The path analysis of the model is illustrated in Figure 1 and Table 3. The results confirm the significance of the construct of proactiveness factor of the sampled firms. At 1% level of significance, the constructs of proactiveness are found to be significant. The results show that the coefficient of proactiveness is also positive and significant ($P < 0.05$). The results show that a unit increase in the level of proactiveness of SMEs would lead to 0.471 increase in the level of sales of the firms ($\beta = 0.471, P < 0.05$), suggesting that the effect of proactiveness on sales

performance is high. The implication of this is that an extra effort on proactiveness would yield about 47% increase in sales volume of an SME. The finding is in conformity with the study of Wambugu, et.al (2015) which held that proactiveness was a strong predictor of corporate success in agro-processing SMEs in Kenya. Also, the findings of this paper also corroborates the result of Kai-Ping (2014) which affirmed that entrepreneurial proactiveness and social flexibility are both positively associated with the accumulation of structural and relational capital.

Table 3: Path Analysis of the CFA of the Model

			Estimate	C.R.	P
proactiv1	<---	Proactive	.400	3.937	***
proactiv2	<---	Proactive	.574	3.907	***
proactiv3	<---	Proactive	.571	3.900	***
proactiv4	<---	Proactive	.320	2.903	.004
proactiv5	<---	Proactive	.301	2.788	.005
proactiv6	<---	Proactive	.583	3.925	***

Source: Data Analysis (2022)

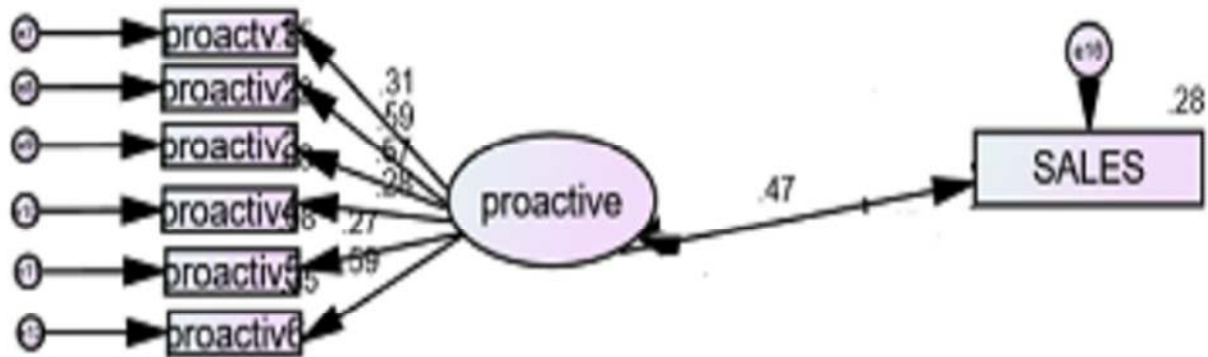


Fig. 1: Regression Path Analysis of Proactiveness and SMEs' Sales Performance

Source: Data Analysis (2022)

5.0 Conclusion and Recommendations

The roles of proactiveness on performance of SMEs in southwest Nigeria was investigated in this study. Due to scarcity of empirical research on the roles of proactiveness on sales performance of SMEs in southwest Nigeria, the research became necessary. The study embarked on review of several literatures so as to identify the gap in literature and formulate a framework for the study. The study overviewed the concepts of proactiveness as well as small and medium-sized enterprises. The review concentrated on the meaning as conceptualized by several scholars both from developed and emerging nations of the world as demonstrated in the body of the work. Two

theories including Opportunity-Based Theory of Entrepreneurship and McClelland's Theory of Relativity were reviewed in relation to the study.

The major findings of this study clearly reveal that proactiveness is positively and significantly associated to SMEs' performance. As a result of the findings, it is possible to conclude that proactiveness is a key influencing factor of SMEs' sales performance in southwest Nigeria. Hence, it is recommended that there should be continuous monitoring of events and trends in the market to identify customer expectations while they should also try to maintain the capability of keeping competitors locked out of the market as this is also relevant to keeping the firms proactive as this could help them achieve better levels of performance.

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