

FACTOR INFLUENCING ENTREPRENEURIAL COMPETENCIES ON THE PERFORMANCE OF SMES: A MODERATING ROLE OF ENTREPRENEURIAL PASSION

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Abstract

Small and medium enterprises are the major bedrock of economic development of every Nation, but SMEs in Nigeria are surrounded with many challenges, which made business formation and activities in Nigeria becomes more multipart and competitive, this has made the environment too harsh for small business struggle which consequential made SMEs fail in the Nigeria. However, small business owners and entrepreneurs need to device other means and approaches to survive in the deteriorating economy. This study is aim to proposed a conceptual model using Competency Theory, in order to review the entrepreneurial competencies that are needed by the entrepreneurs and to identify some strategies to strive in the Nigerian economy. The research work climaxes the conceptualization and collaboration between entrepreneurial competencies and SMEs performance through four discrete routes: entrepreneurial awareness, entrepreneurial motive, entrepreneurial skills and entrepreneurial passion as a moderator.

Keywords: Entrepreneurial competencies, Entrepreneurial Awareness, Entrepreneurial Motive, Entrepreneurial skills, Entrepreneurial Passion

1. INTRODUCTION:

Researchers and policymakers throughout the world have extensively acknowledged and well-documented the contributions made by Small and Medium Enterprises (SMEs) to economic growth and development of nations (Al-Haddad et al., 2019). The traditional approach to economic growth and development, which focused on Large Scale Enterprises (LSEs), has been abandoned by countries around the world, both developed and developing, in favor of SMEs, which are thought to contribute more to their economic health. SMEs are the ideal size of company for emerging markets. Nigeria, one of the emerging nations, has likewise changed its focus during the past three decades as a result of successive governments' keen interest in fostering the expansion and development of SMEs. Perhaps since the adoption of the Structural Adjustment Program (SAP), there has been a shift from the former capital intensive method which was based on LSEs to SMEs which are labour intensive, rely heavily on local raw materials and require small capital for operation. The SAP enabled the sector to be a key focus in the country which in turn resulted in the rising profile of increased number of SMEs largely due to the favourable policies it had developed. Thus, the ability to manage small business provides a useful and reliable economic foundation for a nation.

However, the shift of emphasis was as a result of the realization that, prior to the adoption of SAP, economic development strategies aimed at attracting LSEs were either not successful or successful only at great cost. Therefore, creating a conducive environment for SMEs will enhance their job creation role and may produce more jobs than trying to lure one or two LSEs. The hope is that small enterprises may grow into medium and eventually large enterprises, which may spawn perhaps hundreds of jobs and become industry leaders of tomorrow. Small and medium-sized businesses (SMEs) in Nigeria have generated almost 48% of the country's GDP over the past five years, according to the NBS (2022). They make up over 50% of industrial employments and almost 90% of the manufacturing sector in terms of the number of businesses, with a total population of about 17.4 million (NBS, 2022). Terungwa (2012) who posited that SMEs form most part of the business activities in developing countries because they are labour intensive, rely heavily on the use of local materials and require small capital to operate when

compared to LSEs. This is due to the various sociopolitical, institutional, economic, and cultural settings that exist in developing nations (Julian & Ofori-Dankwa, 2013). For instance, resource exchange market systems are well established in developing economies, and regulatory frameworks are often solid. In contrast, emerging markets or less established market economies are characterized by high rates of uncertainty and flaws in corporate practices. (Adomako, 2016). As a result, structural gaps and barriers to entrepreneurship in developing economies are established (Acquaah, 2007; Adomako, 2016). Similarly, this study proposed a model with moderating role of entrepreneurial passion to determine the competencies that are required by the SMEs owners.

2. ENTREPRENEURIAL COMPETENCIES

The importance of the competence idea in entrepreneurial education has grown (Kuratko & Hornsby, 2014). Identification and development of entrepreneurial competencies are crucial components of human resource management that are intended to help the firm reach its strategic objectives. Therefore, academics in the entrepreneurship sector now adopt the idea and associated theory of competency from the management literature because entrepreneurs and managers share similar roles and responsibilities in organizations, particularly in small businesses (Kochadai, 2012). As a result, studying entrepreneurship using the competency method is becoming very common. According to Spencer and Spencer (1993), entrepreneurial competency is an innate quality of a person that is tangentially related to effective and/or exceptional performance in a role or circumstance. Kaur and Bains (2013) similarly described it as the distinctive traits of a person who assumes risk for generating profit in the business enterprise. As an underlying trait, the competency can predict behavior in a wide range of contexts and job activities and is a pretty substantial and enduring aspect of a person's personality. Similarly, competencies are seen as internal personality traits residing in an individual. That is, someone has an inborn trait that makes him likely to be more competent than others who do not possess such traits. According to Rezaei-Zadeh et al. (2014), it is the capacity of the individual to exhibit the proper entrepreneurial behaviors, such as opportunity identification, business start-up, and maintenance. The Jamie and Oliver, (2020) cited in Julius (2011) who developed a model identifying six components of entrepreneurial competencies including; skills: what people can do well. Knowledge: refers to what people know. Social roles: is the image an individual displays in public. Self-image: implies what people think about themselves. Traits: enduring characteristics of people. Motives: unconscious thoughts and preferences. Van der Laan, Driessen and Zwart (2010) while developing an instrument called E-scan used in measuring entrepreneurial competencies, compressed the components into four including; capabilities, knowledge, motives and characteristics. Although, the factors were found to be important, reliable and valid, the study did not determine the predictive validity i.e. it has not empirically test whether the factors predict business success. The argument is that since the task of an entrepreneur is to ensure the survival of his business, he/she needs to be driven by some motivations, possess some characteristics and acquires some skills. Internally driven motives come from within and form the internal drives for someone to start a business of their own. Characteristics consist of psychological traits that shape the thought of an entrepreneur. Finally, the capabilities and knowledge forms the skills as used in this study. Skills are defined as the practical application of knowledge while managing a business. This is because it provides one of the most comprehensive explanations of what constitutes entrepreneurial competencies.

3. ENTREPRENEURIAL AWARENESS

The majority of people struggle to gain from entrepreneurship because they lack the information necessary to do so, despite it being one of the best career opportunities for a nation and human progress (Rahmawati et al., 2012). Israel (1979) made the initial discovery of the emergence of entrepreneurial awareness. He said that those with entrepreneurial alertness had the chance to spot the gap with a little available evidence. However, any government that promotes and supports entrepreneurs must focus on raising entrepreneurial awareness for both the existing and future business opportunities (Al-Mamun et al., 2017; Singhry, 2015). However, empirical research found that many potential beneficiaries—about 85% of low-income workers and business owners—are unaware of the existence of entrepreneurial programs, entrepreneurial government policies, or how to gain access to money or other resources as well as other services (Gbandi & Amisah, 2014). Prior research reveals that in a country where entrepreneurship is either promoted or exposed, entrepreneurial awareness is extremely important (Swart, 2014). Nigeria is one of the nations in this position. Therefore, a company's success exclusively depends on its entrepreneurial awareness, self-efficacy, and capabilities for carrying out commercial operations in a dynamic environment (Oyeku et al., 2014). Oxford Dictionary (2010), which Shamsudden (2017) cites, defines awareness as the condition of knowing something and its importance. According to Clare, Marková, et al. (2011), awareness is defined as a genuine awareness of a particular stage of one's condition or performance that is communicated agreeably or flawlessly. In a larger sense, entrepreneurial alertness is understood as unhurried awareness as well as a disposition to be empathetic and to notice details about things that are happening, things that are around them, and ways that things are done

(Hayton & Cholakova, 2012). Entrepreneurial awareness is the condition in which businesspeople are aware of the availability and importance of entrepreneurial prospects for success (Shamsudden, 2017).

4. ENTREPRENEURIAL MOTIVE

Entrepreneurs who are satisfied with their lives and businesses are more likely to succeed in business (Fisher et al., 2014). According to Dijkhuizen et al. (2018), perceived financial and personal success would improve entrepreneurs' well-being. Without motivation, a business cannot begin or prosper Laszlo et al. (2012). While highlighting the significance of entrepreneurial motivations, Van der Laan, Driessen, and Zwart (2010) contend that a skilled and capable entrepreneur is unlikely to succeed if he lacks self-motivation. According to Wagner and Ziltener's (2008) theory, a person will decide to work for themselves if the projected lifetime benefit of self-employment exceeds the lifetime utility of dependent employment. They found that there are push and pull motivators for business decisions. They believed that unfavorable external circumstances like unemployment and job dissatisfaction drove people into starting their own businesses. They also assert that people's need for freedom and self-fulfillment, among other things, is what draws them to entrepreneurial endeavors. They finally came to the conclusion that pull factors, as opposed to push factors, are the main reasons why people become successful entrepreneurs. Similar to this, Boeri et al. (2013) distinguished between opportunity- and necessity-driven entrepreneurial motivations. He defines opportunity-driven entrepreneurs as individuals who launch a business in an effort to take advantage of a rare business chance, as opposed to necessity-driven entrepreneurs, who launch a business because it is their only viable option. Generally, opportunity driven motives were largely used in the above studies reviewed. Need for power, need for achievement and need for independence are entrepreneurial motives that frequently appeared in the literatures and thus, they will be used in this study.

5. ENTREPRENEURIAL SKILLS

Managers require entrepreneurial skills for the growth and operation of their firms (Papulová, 2007). Javadin et al. (2010) defined it as specialized technical knowledge that business owners need to have in order to carry out their responsibilities. These skills are acquired through education and experience. Individual, supervisory, line management, and strategic skills were defined by Fizel and Itri (2014) as the four talents needed in Nigerian businesses. According to this perspective, there are multiple degrees of management in large organizations, and each manager is required to have a certain set of skills. Ezeanolue et al. (2022) also conducted a survey of some selected SMEs in Thailand and measured skills in terms of: leadership; ability to portray good behaviour. Functional skills; refers to the ability to perform different managerial roles. Stakeholder management skills: ability to satisfy business stakeholders such as banks, customers, suppliers, etc. Team selection and team development: ability to manage cross-geographical employees. Communication: writing and listening abilities. Decision-making and problem-solving skills: ability to make good decision and solve problems that are deemed to occur while running the business. Managing cross-geographical team members is highlighted which might be irrelevant as SMEs involve small number of employees who are largely from the same geographical location. Planning, organizing, leading, and regulating are the four abilities an entrepreneur must learn in order to be a strong and effective manager, according to Lowden (1988), whose study was titled "Managerial Skills for the Entrepreneur." He comes to the conclusion that an entrepreneur needs to possess the following abilities: planning abilities, which deal with establishing goals and ways to achieve them, organizing abilities, which entail arranging work and people to achieve set objectives, controlling abilities, which ensure that performance follows plans, and leading abilities, which support the human factor in performance.

6. ENTREPRENEURIAL PASSION

Since growing market economies reflect an uncommon cultural milieu where entrepreneurs face several development limitations, fostering entrepreneurial passion among academics and policymakers is crucial (Adomako et al., 2016). The entrepreneurial spirit in these economies is, however, less widely acknowledged by academia. For instance, studies from the Western World have experimentally examined how passion affects venture development and venture capital investment decisions (Chen et al., 2004), however many of these studies may not extend to developing countries in general, and Nigeria specifically. Entrepreneurial passion as the extreme emotional condition of an entrepreneur manifested by personal valuable cognitive and behavioral action (Chen et al., 2004), while also relying on literatures on social psychology and entrepreneurship. It follows that since passion is essential to successful entrepreneurship activities, it makes sense that it must exist or be developed before starting ventures. Entrepreneurial passion was characterized as "consciously accessible intense good sentiments experienced by

engagement in entrepreneurial activities connected with roles that are relevant and prominent to the self-identity of the entrepreneur (Cardon, Wincent, et al., 2009). Because of the vital importance of passion in entrepreneurship, researchers have also urged for a deeper understanding of it (Cardon et al., 2015; Chen et al., 2004).

7. MODERATING ROLE OF ENTREPRENEURIAL PASSION

People who are very passionate about starting their own businesses are inwardly driven to make the most of their current knowledge base, which produces pleasant sensations of anticipated success or achievement (Baum and Locke, 2004). Therefore, the stronger an individual's perceived self-efficacy as it relates to becoming a successful entrepreneur, the more likely it is that an individual's entrepreneurial goals will amplify enhance or increase (Moses et al., 2016). In the same line, a person's entrepreneurial passion may help to enhance the connection between their attitude toward starting their own business and their business goals. Similarly, person's entrepreneurial passion may help to enhance the connection between their attitude toward starting their own business and their business goals. People who are passionate about entrepreneurship-related activities show a higher level of dedication to reaching their desired entrepreneurial goals (Baum and Locke, 2004). According to Cardon et al. (2009) cited in by Moses et al. (2016) entrepreneurs face numerous difficulties, such as rejection of their ideas, refusal of finance requests, and a lack of legality, all of which may discourage potential customers and employees. Gimeno et al. (1997) further argued that an entrepreneur's perseverance in the pursuit of financial, human, and social capital is crucial for securing financial support, attracting clients, motivating staff, and more generally establishing the firm's position and legality (Gimeno et al., 1997). Therefore, according to the theory put forth by Cardon et al. (2009), the regulation of extremely positive feelings associated with founder identity is anticipated to activate action and the necessary energy and vigor of entrepreneurs to master challenging situations by overcoming uncertainties, setbacks, and resource shortages while assembling financial, human, and social capital. Bierly et al. (2000) further claim that a person's level of passion is related to how actively and relentlessly they pursue their goals, namely their capacity to overcome obstacles, acquire resources, control activities, motivate important players, and deal with unforeseen challenges. The perceived behavioral control that is linked to or otherwise expected with venture development may therefore be impacted by the level of desire.

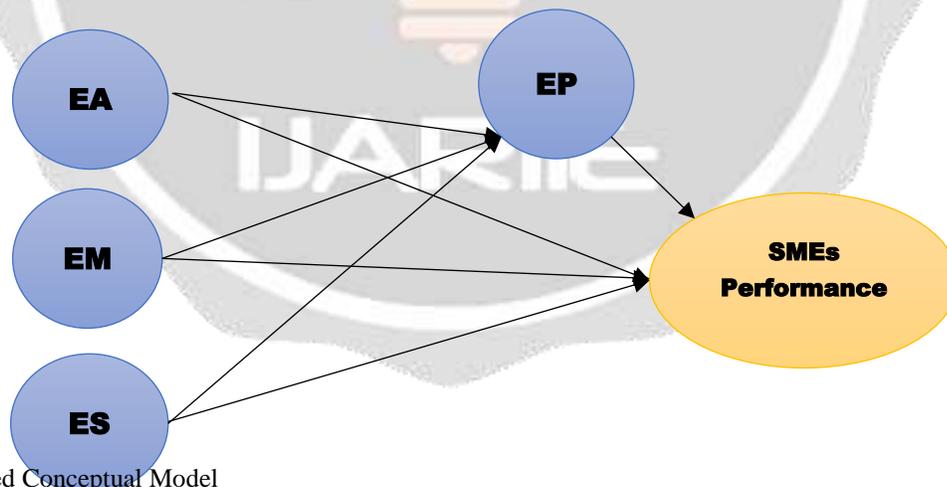


Fig. 1.1 Proposed Conceptual Model

8. CONCLUSION

Because they have an impact on how organizational resources are arranged and used to effectively and efficiently accomplish organizational goals, entrepreneurial competences have been seen as essential to the survival and performance of SMEs. In order to improve its performance, the Nigerian SMEs sector developed and implemented a

number of financial programs, yet it is still regarded as having low performance. According to numerous studies, the performance of SMEs in Nigeria is drastically declining due to a lack of entrepreneurial skills. Therefore, the goal of the study was to determine how entrepreneurial competences affected the performance of SMEs. Given that the different dimensions of entrepreneurship competencies are increasingly seen as fundamental elements, the assessment of entrepreneurship competencies and its influence on SMEs performance is intensifying in both psychology and entrepreneurship but remains in its early stages in supportable performance. The main aim of this paper is to identify the moderating role of entrepreneurship passion on the entrepreneurship competencies on SMEs performance. In so doing, this study proposed conceptual model which can measure the performance of SMEs using entrepreneurial competencies dimensions with the inclusion of entrepreneurial passion as a moderator. This study also found that without competitive entrepreneurial competencies, a company's capabilities alone are unable to take a SME to new heights in business. This research also recommended that in order to ensure the quality of business operations, the government and other development partners should create a competency framework for the SME sector.

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