

**MANAGERIAL CONSTRUCTS AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN BAUCHI STATE**

BY

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**BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE
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DECLARATION

I declare that the work in this dissertation entitled Managerial Constructs and Performance of Small and Medium Enterprises in Bauchi State has been carried out by me under the supervision of Dr. O. D. Y. Malachy and Dr. S. M. Hussaini in the Department of Business Administration. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree or diploma at this or other institution.

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CERTIFICATION

This dissertation entitled Managerial Constructs and Performance of Small and Medium Enterprises in Bauchi State by Ibrahim ALIYU Meets the regulation for the award of the degree of Master of Science (MSc) Degree in Business Administration of Ahmadu Bello University, and it is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

This study is designed to assess the impact of managerial constructs on SMEs performance in Bauchi state. Managerial performance was measured on three managerial constructs: entrepreneurial characteristics, organizational configuration and task environmental scanning. Entrepreneurial Characteristics in terms of achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion; Organizational Configuration in the areas of decentralization, coordination and formalization and Task Environmental Scanning in the areas of frequency and the degree of interest in scanning the environment. Based on a cross-sectional research design where survey questionnaire was used to collect data from 237 SME owner-managers in the state. The copies of the questionnaire were distributed randomly to the sample drawn from 6 local governments selected on a quota basis. The data were analyzed using descriptive statistics, Spearman' rank correlation and multiple regression analyses with Statistical Package for Social Sciences (SPSS) version 18. The output revealed that entrepreneurial characteristics and organizational configuration have significant impact on SMEs performance, while task environmental scanning has no significant impact on SMEs performance in Bauchi state. As such, entrepreneurial characteristics is the strongest predictor of SMEs performance in Bauchi state, then organizational configuration and then task environmental scanning. The study, therefore, concluded that lacks of application of managerial constructs is the factor behind poor SMEs performance in the state and unless measures are put in place by stakeholders, Nigeria cannot reap the benefit of the SME sector. Lastly, it was recommended that government, NGOs and SME owner-managers' unions should work together towards improving the application of managerial constructs by SME owner-managers.

TABLE OF CONTENTS

<i>Title page</i>	i
<i>Declaration</i>	ii
<i>Certification</i>	iii
<i>Dedication</i>	iv
<i>Acknowledgement</i>	v
<i>Abstract</i>	vi
<i>Table of Content</i>	vii
<i>List of Tables</i>	x
<i>List of Figures</i>	xi
<i>List of Appendices</i>	xii

CHAPTER ONE

INTRODUCTION

a. Background to the Study.....	1
b. Statement of the Problem	4
c. Research Questions	6
d. Research Objectives	6

e.	Research Hypotheses	7
f.	Scope of the Study	7
g.	Significance of the Study	7
h.	Limitation of the Study.....	9
i.	Definition of Key Terms.....	9

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1	Introduction	11
2.2	Concept of Small and Medium Enterprises (SMEs).....	11
2.3	Concept of SMEs Performance.....	13
2.4	Concept of Managerial Skill	14
2.5	Concept of Managerial Construct.....	16
2.6	Review of Empirical Studies on Entrepreneurial Characteristics, Organisational Configuration and Task Environmental Scanning and Related Gaps	26
2.7	Theoretical Framework	38
2.8	Summary	41

CHAPTER THREE

RESEARCH METHODOLOGY

3.1	Introduction	43
3.2	Research Design	43
3.3	Research Population	43

3.4	Sample Size and Sampling Techniques	44
3.5	Measurement of Variables.....	45
3.6	Validity and Reliability of Instrument.....	46
3.7	Methods of Data collection.....	48
3.8	Techniques of Data Analysis and Justification.....	49
3.9	Model Specification... ..	50
3.9	Summary	50

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1	Introduction	52
4.2	Summary of Responses.....	52
4.3	Data Presentation and Analysis	53
4.4	Test of Hypotheses	61
4.5	Research Findings	66

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1	Summary.....	69
5.2	Conclusion.....	71
5.3	Recommendations.....	72
5.4	Contribution to Knowledge.....	72
5.5	Suggestion for Further Studies	73
	References.....	74

Appendices	
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LIST OF TABLES

2.1	Summary of Empirical Studies Reviewed.....	34
2.2	Review of Variable Operationalization.....	36
3.1	Reliability Result	48
3.2	Distribution of Questionnaires Amongst LGs.....	49
3.0	Summary of the Responses.....	52
4.1	Descriptive Statistics on Entrepreneurial Characteristics.....	53
4.2	Descriptive Statistics of Organizational Configuration	55
4.3	Descriptive Statistics of Environmental Scanning.....	56
4.4	Descriptive Statistics of SMEs Performance.....	58
4.5	Descriptive Statistics of the Computed Variables.....	60
4.6	Correlations	61
4.7	Zero-order Matrix.....	62
4.8	Model Summary	63
4.9	ANOVA.....	63
4.10	Coefficients	64

LIST OF FIGURES

2.1 Conceptual Framework..... 41

LIST OF APPENDICES

Appendix A: Questionnaire.....

Appendix B: SPSS Output.....

CHAPTER ONE INTRODUCTION

1.1 Background to the Study

Small and Medium Scale Enterprises (SMEs) emerged as a real source of economic growth and development of nations, because as they grow, the given economy grows and other social institutions develop (Mambula, 2002). Some other specific benefits of SMEs widely acknowledged by researchers and experts are in the areas of poverty eradication and employment generation. Therefore in this new era of industrialisation, where the development status of nations is measured basically on how far they achieve in term of provision of welfare to their populace, SMEs generate employment in a way that ensures equitable income distribution. SMEs provide a range of employment that does not respect wider gap between income earners and does not concentrate wealth to very few individuals, thereby providing alternative for dependence on Large Scale Enterprises (LSEs) that turn out to be exploitative in their businesses. Thus, Ayanda and Laraba (2011) described SMEs as “mighty minors”, that functionalise market economies and remove or minimise imperfection factors that impede adaptation to change. They also move an economy towards market orientation through competition than LSEs.

SMEs, are generally believed to be the most appropriate scale of business for developing economies (Baptista, Escária, & Madruga, 2008). This is owing to the fact that their requirement of capital size and managerial expertise matches the limited size of capital for investment and managerial expertise obtainable in such countries compared to developed ones. This is why different countries of the world are paying special attention to the sector.

In an effort to reap the benefits of SMEs, successive administrations in Nigeria have formulated and implemented different strategies to create enabling environment for SMEs formation and growth. Since 1970s the attention of policy makers has been very specific on the importance of the SMEs sub-sector to the over-all economy (Mambula, 2002). Therefore, they have been given increasing policy attention probably because of the growing disappointment with the results from LSEs in provision of employment and economic development. Another reason that might account for that was the realization of the potentials of SMEs in terms of positive contributions to economic development in many countries. The first move was the setting up of the thirteen industrial centers during the 1970 – 1975 National Development Plan which aimed at providing extension services to SMEs. This was followed by the establishment of financial institutions to provide credits for SMEs. Banks such as Nigeria Industrial Development Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI), Nigeria Agricultural and Cooperative Bank (NACB), People’s Bank and Community Banks were established for that purpose. Some other programs aimed at supporting SMEs were: The World Bank Assisted SME Scheme, National Economic Reconstruction Fund (NERFUND), The Export Stimulation Loan Scheme (ESL), The Rediscounting and Refinancing Facility (RRF), The National Directorate of Employment (NDE), Fadama Programme and Poverty Alleviation Programme/National Poverty Eradication Programme (NAPEP).

Contrary to the expectation of all the bodies responsible for the formulation and implementation of the above programmes that Nigerian business environment would be a home for the evolution of SMEs; it emerged as an unfriendly one. Chuta, (2012), observed that SMEs in Nigerian business environment are like “fishes out of water”, because of its unsuitability for their growth. A survey by Small and Medium Enterprises Development

Agency of Nigeria (SMEDAN) in 2012 revealed that SMEs accounted for only 0.13% while micro enterprises represent 99.86% of the total Micro, Small and Medium Enterprises in Nigerian. This indicates lack of performance, because had it been small businesses were performing, they would have grown in scale and bridged this gap to a realistic margin. Instead, Nnodim, (2012) also observed that poor management is the number one reason why small businesses fail, as such small businesses in Nigeria exist just as a matter of time and most of them devolve right from the time they are founded until the day they disappear from earth.

Akinade (2007) also argued that large corporations and research institutions are not doing well in term of breeding grounds for SME entrepreneurs who will be able to run and develop knowledge-based and innovation-driven companies that the Nigerian government is trying to promote. Onugu (2005) revealed that as a result of poor managerial cum low entrepreneurial skills, Nigeria SMEs have not been able to maximally benefit from the Small and Medium Industries Equity Investment Scheme (SMIEIS) instituted by the Bankers Committee. Specifically, for example as at 2004, only about 30% of the total allocated fund had been accessed by deserving SMEs on the account of not having well-articulated business plan in form of vision, mission, focus, management profile, financial projections and the rest of the pre-requisites for embarking on an enterprise development.

Amboise and Muldowney (1988) argued that an investigation of management problem and SMEs' performance should look at SMEs management from the perspectives of three managerial constructs thus: task environment scanning, organisational configuration and entrepreneurial characteristics. Then, the effectiveness or otherwise of these managerial constructs on SMEs performance will reflect in the form of success/failure and then

evolution/devolution. Their argument is that given the characteristics of an entrepreneur, if he plans his business against the adverse effect of task environmental factors, the effectiveness of his management capability will reflect in term of success, and then give rise to evolution from one scale to another in his enterprise. Ineffective application of these managerial constructs may lead to business failure and eventually may give rise to devolution from one scale of business to another.

1.2 Statement of the Problem

Stagnated growth of SMEs in Nigeria as a developing country is an issue of great concern. This is because its persistence may serve as a stumbling block to any effort by the government to eradicate poverty and unemployment because of its impact on income distribution and employment generation. It can also lead to serious problems in the country's vision 20:2020, considering its bearing with economic growth and development.

To contain the situation, federal government is still coming up with financing programmes that are directed towards improving the financial capacities of SMEs. Programmes such as SMEDAN and SMIEIS are very specific about SMEs and are working throughout the federation of Nigeria. As it is normally obtainable in federal states, various state/regional governments compete in getting their individual states/regions more developed than one another. State governments in Nigeria were competing in coming up with programmes to support SMEs sector in their states for the state not be left behind.

Towards this race of reaping the benefits of vibrant SMEs sector, Bauchi state government introduced a special census for all adult in 2007. The aim was determine the specific business area of interest of each adult for the purpose of providing financial and equipment support as

its entrepreneurial development programme. At the end of the census, people with interest in same area such as trading, poultry farm, fish farming, crop farming, local processing of agricultural produce and so forth; were each asked to form into unions at ward level and then unite at district, local government and then state level. The unions were segmented into small and big business owners according to size of their capitals for the purpose of determining the size of loan to be given to each business. Qualified tart-ups were given according to their start-up requirements while small and big already existing ones were given according to the sizes of their capital. The structures of these unions were used for the disbursement of interest free financial and equipment loan. At the end of the day, government had to abandon its commitment to the programme on the account of lack of fund because the disbursed funds were not retrieved (Ishola, 2010).

Cooperative officers in the state were charged with the responsibility of coordinating the disbursement and collection of the loans at local government levels. A preliminary personal interview with some of them revealed that the funds could not be retrieved because virtually all the newly established ventures were closed down and the already established ones have not experienced any meaningful expansion as a result of lack of necessary managerial capacity on the side of owner-managers. Therefore, the need arises for a research that will empirically examine and prove their claims. It is against this background that this study is designed to determine the impact of managerial constructs on SMEs performance in Bauchi state

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1.3 Research Questions

In line with the above problem stated the following questions were asked:

- i. To what extent has entrepreneurial characteristic impacted on SMEs performance in Bauchi state?
- ii. To what extent has organisational configuration impacted on SMEs performance in Bauchi state?
- iii. To what extent has task environmental scanning impacted on SMEs performance in Bauchi state?

1.4 Research Objectives

Also in line with the above questions, the following specific objectives were designed to be achieved at the end of the study:

- i. To determine the impact of entrepreneurial characteristics on SMEs performance in Bauchi state
- ii. To analyze the impact of organisational configuration on SMEs performance in Bauchi state
- iii. To determine the impact of task environmental scanning on SMEs performance in Bauchi state

1.5 Research Hypotheses

Finally in line with the above objectives the following research hypotheses were formulated in null form to guide the study:

H₀₁: Entrepreneurial characteristics has no significant impact on SMEs performance in Bauchi state

H₀₂: Organisational configuration has no significant impact on SMEs performance in Bauchi state

H₀₃: Task environmental scanning has no significant impact on SMEs performance in Bauchi state

1.6 Scope of the Study

The scope of this study covered the 545 population of SMEs in Bauchi State out of which 301 were used as sample size. This figure was obtained from Bauchi State Ministry of Commerce and it was the latest number they have during the data collection for this research work. Also, as cross-sectional research design was adopted where data was collected using survey questionnaire at a point in time, this study was not subjected to timeframe.

1.7 Significance of the study

This study is very significant to different institutions specifically the following:

- ii. The study has provided empirical evidence about the extent and the pattern of relationship between managerial constructs and SMEs performance. The study has also introduced organisational configuration and tested its impact in combination with entrepreneurial characteristics and task environmental scanning in the same model.

- iii. Central Bank of Nigeria (CBN), Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) and Bank of Commerce and Industry (BCI) being the top federal government agencies responsible for formulating and implementing policies regarding SMEs as it tells them the level of SMEs problem that is as a result of lack of application of these managerial constructs so as determine the level of consideration it deserves when it comes to policy formulation and implementation. Thus it provides a guide for federal government agencies in formulating policies on SMEs.

- iv. International agencies and non-governmental organisations such as: World Bank, United Nations Industrial Development Organisation (UNIDO), International Finance Corporation (IFC), United Kingdom Department for International Development (DFID), European Investment Bank (EIB) and other foundations that are also known for providing financing support to SMEs as part of their efforts to empower the productive sectors of the economy that has direct link with the grassroots. This study provides a guide for them as to the level at which they should provide managerial training rather than completely relying on financing.

- v. The cooperative offices at local government level are also known for bringing SMEs together in form of unions and associations to enable them derive the advantages of cooperative society against large firms. This study serves as alert for them to revisit the pattern of their involvement which may suggest consideration of skill support in combination with existing once.

- vi. The individual owner-managers of SMEs that may lay hand on the finding of this research will see how application of these managerial constructs matter to the performance of their businesses. This will wake them up to be equipped, looking at extent of their impact on their business performance.

- vii. As the research work pinpointed some areas for further studies, the areas may serve as a basis for further researches thereby re-exploring the area for researchers. There is also room for replicating the same study at other environments and times.

1.8 Limitations of the Study

The limitation of this study arises from its scope that is limited to SMEs in Bauchi state, therefore, its findings may not be generalised for Nigeria as a whole.

Another limitation is that the study did not look at the SMEs sub-sector such as manufacturing, distributive trading agriculture individually. Rather, it looked at the sector as whole.

1.8 Definition of Key Terms

Entrepreneurial Characteristics: these are the qualities of an individual that make him unique in identifying and tackling problem.

Managerial Construct: This means managerial skill in practice. It is the practical application of the managerial skill which an owner-manager acquired through formal education, informal training or naturally given.

Organisational Configuration: this was used to mean formal organisational structure

Task Environmental Scanning: this is getting relevant information from and about task environmental factors such as customers, suppliers and competitors and using it for business purpose.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter discusses the concepts of SMEs, SMEs performance, managerial skill, entrepreneurial characteristics, organisational configuration and task environment. Empirical studies will be reviewed in the areas of SMEs performance in Nigeria, entrepreneurial characteristics and SMEs performance and organisational configuration SMEs performance and task environmental scanning and SMEs performance.

2.2 Concept of Small and Medium Enterprises (SMEs)

SMEs is one of the areas that are currently receiving academic and policy attentions but up to now differentiating various scales of business from another such large, medium, small and micro defies universal definition (Luper & Kwanum, 2012). Researchers and other interested parties have looked at the issue base on some specific criteria such as value added and value of assets (Adebayo, Balogun, & Kareem, 2013), and annual sales and number of employees (Amboise & Muldowney, 1988). In India, Ministry of Micro, Small and Medium Enterprises, the ministry defined them in the Manufacturing sector based on investment in plant & machinery. Small: Rs. 2.5 to Rs. 50 million and medium: Rs.50 to Rs.100 million. In the service sector they were defined base on investment in equipment with Micro: less than Rs. 1 million; Small: Rs. 1 to 20 million and medium: Rs. 20 to 50 million (Ravi, 2009).

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In Nigeria, CBN defined the SMEs on the basis of total asset and number of employee (Chendo, 2013). Nevertheless, the National Council on Industry cited in Egbetokun, Siyanbola, Olamide, Adeniyi, and Iren (2008) defined micro business as a business whose total cost, including working capital but excluding cost of land, is not more than ₦1 million

and a labour size of not more than 10 workers, while Small is a business whose total cost, including working capital but excluding cost of land, is over ₦1 million but not more than ₦40 million and a labor size of between 11 and 35 workers. Also, the Department of Business, Enterprise and Regulatory Reform (DBERR) cited in (Apulu, Latham, & Moreton, 2011) defined them based on number of employees: Small business with 10-49 employees; medium business with 50-249 employees; and large business with over 250 employees. Oboh, cited in Uchenwamgbe (2013) defined SMEs as any enterprise that has an asset base of between ₦50,000 to ₦400 Million excluding cost of land and working capital. SMEDAN(2012) defined them based on employment and total asset excluding cost of land and buildings as: Small enterprises 10 to 49 employees or ₦5 million to ₦50 million and Medium enterprises 50 to 199 employees or ₦50 million to ₦500 million.

Based on the above review it appeared that even in Nigeria there is no consensus on the definition of SMEs, but they were defined along three dimensions: in terms of either employment or investment, or the combination of the two. This study adopted SMEDAN (2012) definition because of its recency and relation with the population of the study. Thus, any enterprise with capital base worth ₦5 million and below ₦500 million or has a number of employees up to 10 and below 200, was regarded as an SME. SMEs in Nigeria operate in different sectors of the economy: the SMEs consist mainly of those engaged in the distributive trade which constitute about 50% of the SMEs, 10% are in manufacturing, 30% in agriculture and 10% in services (Olutunla & Obamuyi, 2008).

2.3 Concept of SMEs Performance

Various measurement parameters of SMEs performance were used and advanced by researchers in the field with each more appropriate and convenient at a particular time or situation. Performance should be measured in term of output especially when the population consists of manufacturing firms only (Adebayo, *et al.*, 2013; Luper & Kwanum, 2012; Obokoh, 2008). But organisational goal achievement should be the main yardstick of measuring the degree of SMEs performance (Owoseni & Adeyeye, 2012), therefore, a good measurement of SMEs' performance should be able to consider the goal of the owner or a policy designed to promote the sector in the areas of some specific results such as output and profitability (Marr & Schiuma, 2003). On the other part Ehinomen and Adeleke, (2012) suggested the combination of increase in branches, capital, number of employees and profit. While normative models for measuring performance cover financial perspective, customer perspective, business-process and innovation and learning perspectives (Mattila & Ahlqvist, 2001). This perspective covers wider coverage of performance measurement, although less objective.

A performing SME in any or the combination of any two or more of the above perspectives, always evolves from one scale to another while non-performing one devolves. Researchers in the area of SMEs have found a series of stage-models that indicate how they move from one stage to another as it grows. Filley, House, and Kerr cited in Amboise and Muldowney, (1988) developed cell division model which drawn a parallel between organisational growth and the growth of an organism through cell division. Greiner (1972) developed metamorphosis model based on the expansion of the organisation. The cell division model focuses on changes in degree, whereas the metamorphosis model focuses on changes in kind.

Although the models were slightly different from one another, some stages that are common to all are: Business conception (pre start-up), then established (start-up) and then transition stage in which it will either expand from a micro scale to a small scale, to a medium scale, and to large scale before reaching maturity or contract back from one scale to another (Scott and Bruce, 1987). These additional stages are period of survival where a business struggles to achieve sustainable profitability, operation expansion and growth, increased market share, discover new market, introduce new or modified product, develops employees and improve all other performance indicators (Mazzarol, 2005). Although successful growth within the small business sector is contingent upon many factors, the most important is arguably the attitude of the owner-manager. The owner-manager is likely to be the most important asset of the little firm because he provides all its managerial skills, direction and financial capital. At each stage of the process the small firm can grow, stagnate or even die. In the initial stages of formation and survival the owner-manager largely focuses on keeping the business alive and must find new customers and maintain sufficient cash flows to pay running costs.

2.4 Concept of Managerial Skill

Managerial skill of the owner-manager is very important to the success or failure of the business (Osamwonyi & Tafamel, 2010). Ekpenyong and Nyong (1992) opined that a management skill required to run SMEs does not necessarily mean the paper qualification that one has attended a higher school of management even though it can be relevant.

Papulová (2007) identified four areas of managerial skills which includes: Technical skill-this is not skill related to technology, such as skills of engineer. Rather, it represents the managerial skill of using methods like break even analysis in planning or ability to prepare for and structure work in an organisation. Interpersonal Skill-the skill of knowing how to lead

people, where manager will have the abilities to motivate workers, solve work conflicts and work with people; Conceptual Skills-the skills of looking at and working with the organisation as a small and controllable unit and appropriately relating it with the surrounding environment and Communication Skills-the skill of receiving and disseminating information. This view of management skill looked at it from managing LSEs, because the knowledge of formulas of break-even analysis, economic order quantity and many others may help, though impossible because of inadequate data to apply them (Fiberesima & Rani, 2012; Monisola, 2013), and even if they get the data, they lack the ability to process and interpret them (Egwuonwu, Mohammed, & Momoh, 2011). Shehu, Aminu, Kamariah, Mat and Nasiru, (2013) observed that it is not necessary for SME owner in Nigeria, provided he/she can make some practical estimates of his/her market and capacity, he/she is skillful.

Another view of managerial skill which is more relevant to SMEs than the one above is that of Lowden, (1990) which looked at the situation from the angles of management functions such as: Planning skills-the skill of allocating resources, developing alternatives; organising skill-designing structure, coordinating parts, arranging delegation, and managing conflict and change in an organisation; leading skills-implementing decisions, providing climate, forming communications, and developing personnel; controlling skills-establishing standards, measuring performance, taking action and Instigating self-control. But performing management function alone in an SME as identified by this view may be irrelevant because they were formulated base on experience from management of LSEs. Agbim (2013) identified the planning and budgeting skills; detecting changes; maintaining good customer relations and ensuring correct financial records as the managerial skills related to SMEs.

2.5 Concept of Managerial Construct

Constructs are the building blocks of theories, helping to explain how and why certain phenomena behave the way they do. During research process the researcher will need to clearly and precisely explain the theories, constructs, and variables that one is interested in, as well as explain the relationship between them. There is always need to explain: what constructs are, the use of theoretical or nominal definitions to express the meaning of constructs, and the need to create operational definition from constructs so that they can be measured (Nahapiet & Ghoshal, 1998).

Polit and Beck (2006) Constructs are mental abstractions that are used to express the ideas, people, organisations, events and/or objects/things that we are interested in. Constructs are a way of bringing theory down to earth, helping to explain the different components of theories, as well as measure/observe their behaviour. A construct provides an efficient and convenient method for labeling a number of similar behaviors. Through the use of constructs, the observer can begin to classify and group instances of similar behavior and communicate in compact terms what has been witnessed.

Venkatraman and Grant (1986) defined construct as label for a cluster or domain of co-varying behaviours. For example, if a student sees another sitting in a classroom before an examination biting her nails, fidgeting, lightly perspiring. They exist as concepts but not as tangible entities. Some constructs, however, become so familiar and ingrained in common use that most people assume their manifest existence.

According to Bezzina, (2010) Constructs are hypothetical. They exist as concepts but not as tangible entities. Some constructs, however, become so familiar and ingrained in common use

that most people assume their manifest existence. For example, it might be supposed that gravity can be shown by dropping an object to the floor. All that has been demonstrated in that case, however, is the falling of an object, not gravity. Gravity is a label for the hypothetical cause of the falling object, not the observable event. The same scenario can be built around any psychological construct—for example, extroversion or quantitative ability. Extroversion is not observable, but extroverted behaviours are, and those are summarized by evoking a construct label and inferring that the person who exhibited those behaviours is extroverted to some degree.

In a study titled the role of managerial constructs in enhancing financial performance: the case of Malaysian multinational companies, Khajehpour (2012) used strategy, structure, leadership culture and process as managerial constructs. He drove them from a management model which is called five-star model used for organizational management in the following sequence: strategy, structure, key processes, key people, roles and responsibilities, information systems, performance measures and rewards, training and development, and career paths. Also in another study managerial performance development constructs and personality correlates, Conway (2000) labeled interpersonal effectiveness, willingness to handle difficult situations, teamwork and personal adjustment, adaptability and Leadership as managerial performance development constructs.

Amboise and Muldowney (1988) examined the attempts that have been made to develop theories of small business management. The discussion of various contributions is structured according to task environment, organizational configuration, managerial characteristics, success-failure issues, and growth issues. Conclusions are drawn about how well these attempts meet the requirements of good theory. This study used entrepreneurial

characteristics, organisational configuration and task environmental scanning as they were used by Amboise and Muldowney (1988).

2.5.1 Concept of Entrepreneurial Characteristics

Kilby cited in Elkan (1988) found that when a business expands beyond the point that the owner can control everything himself in Nigeria, serious problems are encountered because of inability to delegate responsibility and authority and difficulty to find capable subordinates and managers in the country. Abraham, Karns, Shaw and Mena (2001) outlined top ten managerial characteristics as good oral/written communication skills, problem solving, result oriented, interpersonal skills, customer focus, flexibility and adaptability, team work, dependability and quality focused.

Managerial characteristics as far as owner-manager is concerned, are what researchers more often than not referred to as entrepreneurial characteristics (Amboise & Muldowney, 1988). The word entrepreneur originated from the French word, “entreprendre” and the German word “unternehmen” both of which means to undertake; during the sixteenth century, the term was used to identify people who organized and managed military and exploration expeditions (Hébert & Link, 2009). Economist from France, Germany and England introduced the term in to economic and business field to qualify the behavior of people who organized and managed businesses, but even as at then, they did perceived it differently. Scholars such as Cantillon, Knight and Baptiste related entrepreneurship with uncertainty; Adam Smith identified it as “frugal” that accumulates capital; Mangoldt related it with risk-taking and Schumpeter innovation. The studies of entrepreneurship can be divided into three main categories: what happens when entrepreneurs act; how they act and why they act the way they act. What happen when they act has to do with the result of entrepreneurial action which may be success or failure; how

they act has to do with their behavior of acting managerially and they act managerially because of their characteristics answer the question of why they act the way they act (Stevenson & Jarillo, 1990).

Richard Cantillon cited in Adegbite, Ilori, Irefin, Abereijo and Aderemi (2006) who is identified as the first introducer of the term into economic and business field, defined entrepreneur as a person who buys means of production at certain price and combine them to a new product for sale at uncertain price. Baptiste defined entrepreneur as someone who shifts economic resources from an area of lower productivity to an area of higher productivity and greater yield. Therefore he is a person that searches for change, responds to change, and exploits change by converting change into business opportunity(Arogundade, 2011).

Gupta and Govindarajan (1984) came up with effectiveness, strategy, years in marketing/sales, willingness to take risk and tolerance for ambiguity as managerial characteristics of an entrepreneur. Hadzima (2005) pointed out ability to deal with risk, result oriented, energy, growth potential team player, multitasking ability and improvement oriented as the seven characteristics of an entrepreneur. Rasheed cited in Adegbite, *et al.* (2006) suggested that the following are the most relevant: need for achievement, creativity, initiative, risk taking, setting objectives, self-confidence and internal locus of control, need for independence and autonomy, motivation, energy, commitment and persistence. Acharyaa, Rajanb and Schoarc (2007) included time consciousness and reduced them to: achievement motivation, locus of control, meta-cognitive activity, need for dominance, passion for work, self- efficacy, cognitive reflection, risk aversion and time preference. Bezzina (2010) although agreed with the above characteristics, yet he summarized them into seven as: need for achievement, locus of control, tolerance towards ambiguity, self-confidence,

creativity/innovativeness, risk-taking propensity and self-sufficiency/freedom. The research department of National Knowledge Commission of India Independence (the freedom to do one's own thing) Market opportunity, family background in entrepreneurship, new idea with business potential, the prospect of challenge offered by entrepreneurship and dream desire to become an entrepreneur as (Rao, Venkatachalm, & Joshi, 2013).

Characteristics that are found to be generally acknowledged by researchers as characteristics successful entrepreneurial are: achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion

2.5.2 Concept of Organisational Configuration

The idea of formal structure in organisation could be traced to the works of Webber and Fayol. Fayol (1916) advocated fourteen principles of management that call for coordination and specialisation and Webber (1947) developed his model of bureaucracy which advocates for legal and rule oriented relationship in organisation based on principle of departmentalisation (Nwachukwu, 2009). Montana & Charnov (1993) defined organisational structure as formal relationships for organising, in term of responsibility, authority, and accountability. Grossi, Royakkers and Dignum, (2007) looked at organisational structures as sets of relations between the roles of an organisation in areas of authority, communication, delegation, responsibility, control and power. This means that different aspects of a structure link not only authority and responsibility but also various tasks for a specific activity to be carried out in order to achieve some specified goals and objective. But the monitoring activity in all aspects of the organisation is related with the control function which also takes place through the structure of the organization.

Montana and Charnov, (1993) viewed contingency approach to organisational structure as an approach which maintains that the most appropriate organisational structure for an organisation will depend on the situation, consisting of the particular technology, environment, grand strategy available resources and other dynamic forces. As the size of a business determines the size of these dynamic forces, SMEs are always identified with small sizes of both human and material resources and more vulnerable to environmental factors, therefore, they may be more identifiable with this new approach.

Little researches have been carried out on the structure of small business because of its apparent simplicity and less formalized nature (Amboise & Muldowney, 1988). Studies of SMEs structure did not yield any meaningful pattern of formal organisational structure rather (Neilson, 1974). Paulson (1980) found that SMEs design their organisations base on the pattern of any of their resources that give them competitive advantage. Thus, literatures were not much concern about factors that only lead to competitive advantage rather factor that attract and sustain it. Resource-based competitive advantage model argued that for a firm to enjoy a sustained competitive advantage, four conditions must be met: Resource heterogeneity creates monopoly rents; ex post limits to competition prevent the rents from being competed away; imperfect factor mobility ensures that valuable factors remain with the firm and that the rents are shared and ex ante limits to competition keep costs from offsetting the rents (Peteraf, 1993). It is on the above basis Wright, McMahan and McWilliams (1994) established human resource as a good source of sustainable competitive advantage if configured appropriately for this purpose. Greening and Turban (2000) agree that corporate social responsibility is another main source of sustainable competitive advantage through gaining acceptance from hosting communities which enable business to be more attractive to job seekers and higher market share. Tacit knowledge constitutes a good source of competitive

advantage because it is much harder for competitors to copy than explicit knowledge and it give rise to development of a culture, organisation design and human resource policies. Argote and Ingram (2000) maintain that the processes of knowledge transfer provides a basis for competitive advantage for firm not the transfer of knowledge itself. Another factor considered active is value configuration for customers through channels of distribution such as chains, shops and networks (Lubit, 2001). Stabell and Fjeldstad (1998) claim to have proposed foundation for a theory of value configuration for competitive advantage which will stand as an extension of Michael Porter's original value chain framework.

Porter (1990) came up with another version of argument where he positioned that rather than resources, it is challenges such as strong domestic rivals, aggressive home-base suppliers and high demanding local customers that create and sustain competitive advantage through innovation. Ray, Barney and Muhanna (2004) found that firms may possess competitive advantages at the level of business process without reflecting in its overall performance if competitive advantages in one business process are offset by competitive disadvantages in other business processes or if any profits generated by a firm's business process are appropriated by a firm's stakeholders. Moving towards the same direction Black and Boal (1994) agree that environmental forces brings about it, but it is the ability of the entrepreneur to modify and renew the life cycle of his resources (innovation) that sustain it. In agreement with the above position, Mahmood and Hanafi (2013) proved that competitive advantage is not dependent on any resource, but on how the valuable, rare and hard to imitate resources that reside within the firm are translated into differentiated products, market sensing, and market responsiveness to customer demand and competitive move.

Thus, competitive advantage can stem from any of the resources of an organisation but it will depend on how the manager control the resource and make it unique in understanding and satisfying customer demand through product design, market creation and maintaining balance between ethic and flexibility. Given the globalised nature of the modern economies, possession of any type of resource cannot make an organisation unique, rather how it manages or combines one resource with another make it unique and provide it with sustainable competitive advantage.

Generally there are three areas of considerations for any business standing to gain competitive advantage; they are: basis of competition; where you compete and whom you compete against-together form corpus for a sustainable competitive advantage. SMEs competitiveness can be seen as an extension of national competitiveness. At the national level it has been defined as a nation's ability to produce goods and services that meet the test of international markets with positive impact on the real incomes of its people over the long term (US Presidential Commission on Industrial Competitiveness). The ability to compete in international markets depends on macroeconomic policies and conditions (trade policies and exchange rates etc.) as well as on a nation's comparative advantage, i.e its factor endowment (Fortin, 2005). Thus, given the unique resources of an organization it can as well develop policies and strategies regarding any of its human or material resources that will enable it to produce and market products in a way that meet customer taste better than competitors.

UNCTAD (2002) identified three stages in competitiveness: catching up, keeping up and getting ahead. Catch-up competitiveness is in terms of rapidly increasing market shares and upgrading into advanced activities while growing market shares show dynamic competitiveness and reveal the ability of a country to "get ahead" in terms of technology and trade. Frequent introduction of new and redesigned product rather than rather cost reduction policies which aim at lower price offer has changed the landscape of approach to competitiveness (Coplin, 2002).

The main purpose of structure is to gain competitive advantage through the resource of the organisation depending on how management makes it unique in appealing customer demand.

2.5.3 Concept of Task Environmental Scanning

Task environment may be internal or external, even task variability and task routine within an organization that are as a result of the behavior of employee or his supervisor are regarded as internal uncertainty while those that as a result of other units of the organization and market are referred to external uncertainty (Ben-Ner, Kong, & Lluís, 2011). Task environment creates uncertainty for management and the desire to delegate some decision-making to employees and offer incentives.

Aguilar (1967) defined environmental scanning as seeking for information about the environmental factors both within and outside an organization, whose knowledge would enable top management to make a better choice of course of action about the future of the organizations. Although it may not always be accurate to claim that environmental scanning would lead directly to better organisational performance, as performance is influenced by a combination of various factors (Daft, Shrunken, & Parks, 1988), environmental scanning could provide first-hand information for organisations about emerging threats, opportunities, strengths and weaknesses that could lead to better performance (Zhang, Majid, & Foo, 2011). Temtime (2006) argued that the major justifications for managing and monitoring environmental complexities and changes are: it provides an organisation with a platform to link its chain of perceptions and actions that permits an organisation to adapt to its environment by providing external intelligence for planning, decision-making and strategy formulation and it enables managers to provide organisation-environment alignment by relating specialised information from external sources to those from internal sources.

Managers use different modes to scan environment, the most common once are irregular (less than 2 hours per month), periodic (1–2 hours per fortnight) and continuous (30–60 minutes per week) and a research of Botswana SMEs managers mode of environmental scanning revealed that they frequently use the continuous mode then periodic and then irregular mode (Jorosi, 2008). A manager may access information for environmental scanning through external sources such as: customers, business associates, suppliers, newspapers/periodicals, broadcast media (TV, radio), web sites, trade shows, conventions, external reports/studies, trade publications and consultants or internal sources such as: managers or supervisors, internal reports/studies and subordinates (Temtime, 2006). Jorosi (2008) also established customers, competitors, suppliers, news-paper and broadcast media as the top five sources used by SME managers in the developing countries.

No firm can operate properly without having information about the environment in which it is operating. The information required for running a business can broadly be broken down into three: information required for regulatory, financial and tax reporting; information required to manage day-to-day situations and decisions and information required to support long-term decision-making and strategy formulation (Temtime, 2006). Porter cited in Magaisa, Duggal and Muhwandavaka (2013) outlined threat of new entrants, rivalry among existing firms, threat of substitute products or services, bargaining power of buyers and bargaining power of suppliers as five forces that need frequent attention of an SME.

An owner-manager that is keen to derive the benefits of task environmental scanning must keep abreast with any one or more sources of information about customers, suppliers, competitors and regulatory bodies. One good thing about task environment is that customers,

suppliers and competitors being the most important factors also constitute the top three sources of information for scanning.

2.6 Review of Empirical Studies on Entrepreneurial Characteristics, Organisational Configuration and Task Environmental Scanning and Related Gaps

Onugu (2005) found that managerial skill is the greatest problem facing Nigerian SMEs through survey questionnaire method on 300 SMEs across the country. In a study of SMEs key failure-factors in Nigeria by Ihua (2009), through questionnaire method on 45 SMEs, the results from a descriptive statistics revealed that improper and poor planning management inability were the key factors leading to SMEs failure in Nigeria. Another study by Ayanda and Laraba (2011) established shortage of indigenous entrepreneurs as a major stumbling block for SMEs development in Nigerian. Other Studies that established positive relationship between managerial skills and SMEs performance are Agbim (2013) in a study of the relative contribution of management skills to entrepreneurial Success in Makurdi town of Benue state with on questionnaires on 366 SMEs. An output of principal component analysis and regression analysis ended up establishing relationship between the two but failed to reveal the level of managerial skills and performance as a result of choice of technique of data analysis. Another study by Shehu, et al. (2013) in Kano north western Nigeria, through questionnaire method on 278 SMEs also established significant relationship between skills and SMEs performance but could not tell about the level of the two for the same reason as in the case of Agbim.

The issue that is common to the previous studies on managerial skill and SMEs performance is that they measure managerial skill of owner-managers on their educational level/qualification which says little about their practical act of managing and nothing about

entrepreneurial characteristics. But this study will consider entrepreneurial characteristics, task environmental scanning and organizational configuration as inborn or learnt.

The first variable of the study is entrepreneurial characteristics. Gupta and Govindarajan (1984) examined the linkage between managerial characteristics in the areas of length of prior experience in the marketing/sales function, willingness to take risk and tolerance for ambiguity and performance in the areas of sales growth rate, market share, operating profits, profit to sales ratio, cash flow from operations, return on investment, new product development, market development, research and development, activities, cost reduction programs, personnel development, and political/public affairs. With data from 58 collected through questionnaire method, they found that high performing businesses were headed by general managers with greater risk propensity and tolerance for ambiguity, and that a stronger strategy-manager fit is associated with greater performance. Acharyaa, *et al.* (2007) conducted the same study in India, using the same method on SMEs and arrived at the same result. Rao, *et al.* (2013) studied the relationship between entrepreneurial characteristics and success of women entrepreneurs operating fashion and apparel enterprises in India, using questionnaire on 291 micro, small and medium scale enterprises; an output of SPSS software for comparing the means of the entrepreneurial characteristics and success of women entrepreneurs shows that risk taking, dream desire and desire for independence were associated with successful women entrepreneurs.

Adegbite *et al.* (2006) studied the impact of entrepreneurial characteristics on the performance of manufacturing SMEs in Nigeria using data collected through questionnaire from 100 SMEs and analyzed using descriptive statistics and inferential statistics, but the results showed that 7 out of the 10 entrepreneurial characteristics of the respondents made negative impact on

financial performance. A study of entrepreneurship culture among Nigerian university students, Adejimiola and Olufunmilayo (2009) found that teaching entrepreneurship boost the entrepreneurial morale of young graduates that already possessed the entrepreneurial characteristics. A more general study on Nigeria educational policy and entrepreneurship found technical and vocational training centers as a helper for young entrepreneurs to recognize their self being (Aladekomo, 2004). In a study of women entrepreneurship in Nigeria, Okafor and Mordi (2010) found that entrepreneurial characteristics in the areas of taking risk, tolerance for ambiguity, creativity and Innovativeness, independence, self-confidence and internal Locus control have no significant relationship with environmental factors such as family background. Awogbenle and Iwuamadi (2010) established enterprise education, experiential programs and enterprise development as factors that provide an individual with characteristics that will enable him to establish and run business.

The last variable of the study is organisational configuration where Levy and Powell (1998) investigated whether SMEs really do exhibit flexibility in UK and found that SMEs have limited flexibility because they only have a specific skill in one main product or variants of that product with which they compete in only one market; have only one major segment of customers; rely on outdated machinery and under-investment. Freel (2000) studied strategy and structure of 228 innovative manufacturing SMEs in West Midlands region of England and found that they have formal internal management control but there is complete absence of formal strategic management especially innovation strategies even in the innovative SMEs. But Meijaard, Brand, and Mosselman (2005) examined organisational structure of 1,411 Dutch small firms base on departmentalisation, specialisation, decentralisation, coordination and formalisation and its relationship with performance in of terms of sales growth, profitability and innovativeness. They found that SMEs are structured, formalised and

centralised and it was found that configuration enhances SMEs performance. Different environment seem to produce different results as in the case of English and Dutch studies above, therefore there is need for studies in this area that will come up with Nigerian version to see whether it will support English or Dutch findings or it will take another position.

Onugu (2005) attempted to fill this gap where he used questionnaire on 300 sample out of 1,500 SMEs which the researcher called total population of Nigerian SMEs, and found that SMEs in Nigeria are unstructured, non-formalised and centralised or concentrated management. The centralisation was basically as a result of low-level capacity in management. The finding supported English based studies and contradicted Dutch study-based on two variables and supported both on centralization. This study cannot Nigeria claim as a whole because its population is not the population of Nigerian SMEs rather it is the population of three Lagos-based SMEs associations i.e. Nigerian Association of Small and Medium Enterprises (NASME), Lagos Chamber of Commerce and Industry (LCCI), Nigerian-American Chamber of Commerce (NACC). Even if the study is to use members of such association as its population, why not including others like: Kano Chamber of Commerce, Enugu Chamber of Commerce, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NCCIMA), Manufacturers Association of Nigeria (MAN) and Nigerian Association of Small Scale Industries (NASSI). Thus, this study is Lagos-base; therefore, there is need for similar studies in other parts of the country to see whether the result will be the same or not as Lagos business environment is to a large extent different from that of most states of the federation. To support this point Oladele (2013) reported 3,900 as the total number of members of the same three associations and used it as his population of studying SMEs in Lagos state. Task environmental scanning also received much attention of researchers in the developed nations but little in the developing once specifically Nigeria. In

Greece, Kourteli, (2005) used questionnaire and examined the relationships between general and task environmental scanning amongst 144 private organisations base on their scanning strategy and sources of information. Four major findings of the study were: the perceived uncertainty of both general and task environmental factors depend on the type of the environment an organization operates; personal sources of information seems to be more important than impersonal sources; external and internal sources ranked almost the same and SMEs create higher perceived uncertainty than LSEs.

The above study established that even in Greece, perceived uncertainty depends on the type of environment, whereas Greek and Nigerian environments differ in many ways one of which is the question of which environmental factor is more critical in each country base on perceived uncertainty. The same study scored economic factor highest in Greece, then competitors and industry, customers, natural environment and resources, resources, political and legal, socio-cultural and then technology while in Nigeria Sawyerr (1993) scored customer and market factors highest, then economic, political and legal, competitors and industry, resources, technology and then sociocultural. Also Rimoli, Andreassi, Gouvea and Zanatta (2005) examined the important conceptual points for successful entrepreneurial initiatives and then examined the cases of two Brazilian start-up firms and their products under circumstances of failure and success. The results showed that there was conceptual and applied consistency of the following aspects as success drivers in new businesses: awareness of the market, differentiation of ideas and opportunities, structuring of an appropriate business plan, and the creation of barriers to entry.

An African base study that supported the above findings was by Jorosi (2008) who used questionnaire method to examine the scanning behavior of managers of manufacturing SMEs

Botswana. It reported high frequency of task environmental scanning, greater application of continuous scanning mode; and reliance on personal sources than impersonal. But another study by Magaisa, *et al.* (2013) looked at the extent to which SMEs in Zimbabwe scan their business environment to improve their performance, using data from questionnaire administered on 1000 SMEs and analyzed using both inferential and descriptive statistical tools. The result revealed that SMEs have not yet embraced environmental scanning. Karami (2008) found that, environmental scanning is significantly related to the SMEs performance through questionnaire method on 132 manufacturing SMEs in UK.

In Nigeria, Sawyerr, Ebrahimi, and Thibodeaux cited in Zhang, *et al.* (2011) examined the impact of environmental scanning on organisational performance of 47 manufacturing SMEs. It was discovered that scanning frequency does not affect organisational financial performance as measured by self-reported return on equity and profit margin but they suspected that the missing link may probably be due to the absence of actual performance data. Zhang, *et al.* (2011) observed that the majority of the studies attempting to discover the association between environmental scanning and organisational performance failed because they chose to measure organisation's financial performance only, such as profitability, return on capital and net profit margin. Another issue about this finding has to do with the population size and sector specification but in a step ahead. With 100 questionnaires distributed to senior workers in Agbara industrial layout of Ogun State, Joseph (2010) found a significant relationship between knowledge of environmental variables and SMEs success in Nigeria. This study is specific on environmental scanning and SMEs performance, but its population was too small to represent even Ogun state talk less of Nigeria at large.

Some of recent studies that tested more than one construct include Reulink (2012) investigated the extent to which different configurations of strategic orientation explained manufacturing SME's performance through radical and incremental innovation performance in the Netherlands. He measured market orientation on competitor focus, customer focus, and inter-functional coordination; entrepreneurial orientation were measured on autonomy, innovativeness, proactiveness' risk taking, competitive aggressiveness and learning orientation (LO) Commitment to learning - Open-mindedness - Shared vision are related to each other in direct, moderating and mediating models. Although many more strategic orientations are introduced by researchers throughout the years, all of them are derived from or itemizations of the four general orientations. The theoretical framework of this study proposed two possible models, direct and moderating, in which differences in innovation performance could be explained. Empirical data acquired from 100 manufacturing SME's in the Netherlands and analyzed on regression and correlation. The path coefficients provided evidence for the moderating model, where learning orientation and entrepreneurial orientation moderate the relationship between market orientation, resource orientation, radical innovation performance and incremental innovation performance and SMEs' performance in the areas of sales growth profitability growth and market share growth

Darmanto, Runing, Harsono and Haryono (2014) Studied the market orientation, innovation orientation entrepreneurial orientation and marketing performance of 250 owners-managers of SMEs in food sector in Solo Raya, Indonesia. Customer orientation is indicated by commitment to satisfy customers, collecting information of customers' needs, ways of satisfying customers, customers' complaints, and attention to customers. Competition orientation is indicated by: discussion about information of competitors, information of competitors' excellence, discussion of competitors' strategy, responding to competitors'

actions, and surpassing competitors. Entrepreneurship orientation is applied with the indicators: business breakthrough, new things, acting quickly, desire to make independent effort, and aggressiveness in performing uncertain actions. Data were collected using questionnaire and analyzed on Structural Equation Modeling with Lisrel software. The result revealed that customer and competitor orientations have positive and significant impact on technical innovation and marketing performance orientation.

Shehu and Mahmood (2014) conducted a data gathering, screening and preliminary analysis on the relationship between market orientation, knowledge management and entrepreneurial orientation as determinants of SMEs' performance in Kano state. A total of 640 respondents were chosen from SMEs operating in Kano through disproportionate stratified probability sampling techniques; equally the exercises were carried in order to suit the assumption of multivariate analysis. In view of that, an assessment of missing data, identification of univariate and multivariate outlier and also, skewness and kurtosis were checked. Similarly, factor analysis through Exploratory Factor Analysis (EFA) was also carried out. The exercises were prepared SPSS software version 20, and the preliminary analysis convinced that the data fulfill the condition of multivariate analysis. The findings indicated the possibility of undertaking further multivariate analysis.

The major common issue discovered throughout this review is that previous studies looked at the impact of these variables on SMEs performance separately in different studies. But this study in line with the postulation of Amboise and Muldowney (1988) decides to combine entrepreneurial characteristics, task environment scanning and organisational configuration to mean managerial skill and measure their impact on SMEs performance.

Table 2.1 contains the summary of the empirical studies reviewed about the three managerial constructs of the study with emphasis on the variables, methodology and geographical location of the studies

Table 2.1 Summary of Empirical Studies Reviewed

	Author(s)	Variable(s)	Methodology	Environment	
1	Gupta and Govindarajan (1984)	Entrepreneurial Characteristics	Questionnaire with Pearson Correlation	India	Significant +
2	Rimoli, <i>et al.</i> (2005)	Entrepreneurial Characteristics	Questionnaire with correlation and Regression analysis	Brazil	Significant +
3	Adegbite <i>et al.</i> (2006)	Entrepreneurial Characteristics	Questionnaire with correlation and Regression analysis	Oyo, Nigeria	Insignificant -
4	Acharyaa, <i>et al.</i> (2007)	Entrepreneurial Characteristics	Questionnaire with regression analysis	India	Significant +
5	Rao, <i>et al.</i> (2013)	Entrepreneurial Characteristics	Questionnaire with regression analysis	India	Significant +
6	Sawyers (1993)	Environmental Scanning	Questionnaire,	Lagos, Nigeria	Insignificant +
7	Kourteli (2005)	Environmental Scanning	Questionnaire with chi-square test and ANOVA	Greece	Significant +
8	Karami (2008)	Environmental Scanning	Questionnaire with descriptive Statistics	UK	Significant +
9	Jorosi (2008)	Environmental Scanning	Questionnaire with descriptive Statistics	Botswana	Significant +
10	Joseph (2010)	Environmental Scanning	Questionnaire with regression analysis	Ogun, Nigeria	Significant +
11	Magaisa, <i>et al.</i> (2013)	Environmental Scanning	Questionnaire with inferential and Descriptive statistics	Zimbabwe	Significant +
12	Freel (2000)	Organisational Configuration	Questionnaire with simple percentage	UK	+
13	Meijaard, <i>et al.</i> (2005)	Organisational Configuration	Questionnaire with simple percentage and correlation	Netherlands	Significant +
14	Reulink, (2012)	Market and entrepreneurial orientation	Questionnaire, Path Coefficients model and correlation	Netherlands	Significant +
15	Darmanto, <i>et al.</i> (2014)	market orientation, innovation orientation entrepreneurial orientation	questionnaire and Structural Equation Modeling	Indonesia	Significant +
16	Shehu & Mahmood, (2014)	Market Orientation, Knowledge Management Entrepreneurial Orientation	Questionnaire and factor analysis	Kano, Nigeria	data fulfill the condition of multivariate analysis
17	Aliyu (2014)	Environmental Scanning Entrepreneurial Characteristics Organisational Configuration	Questionnaire with Descriptive statistics, correlation and regression	Bauchi, Nigeria	

Source: Literature Review

Table 2.1 shows that all the studies conducted outside Nigeria reported significant positive relationship between the variables. Among the few Nigerian based, Sawyerr (1993) and Joseph (2010) reported inconsistent findings on environmental scanning and SMEs' performance from Lagos and Ogun states, therefore, current study looked at the situation in Bauchi. Also Adegbite *et al.* (2006) reported insignificant negative relationship between entrepreneurial characteristics and SMEs' financial performance, therefore, the current study included customer satisfaction which a non-financial performance. Lastly, it can also be observed that no previous study used the same three constructs together at the same study, but the current study looked at the impact of the three constructs on the dependent variable at the same study.

The table below explained the difference between variables of Reulink (2012), Darmanto, *et al.* (2014), Shehu and Mahmood, (2014) and that of this study

Table 2.2: Review of Variable Operationalisation

s/n	Author(s)	Variable(s)	Operationalisation
1	Reulink (2012)	Market orientation	Competitor Focus Customer Focus Inter-functional Coordination
		entrepreneurial orientation	Autonomy, Innovativeness Proactiveness Risk Taking Competitive Aggressiveness
		SMEs' Performance	Sales growth Profitability growth Market share growth
2	Darmanto, <i>et al.</i> (2014)	Market orientation	Commitment to satisfy customers Collecting information of customers' needs Ways of satisfying customers Customers' complaints Attention to customers
		Entrepreneurial orientation	Discussion information of competitors Information of competitors' excellence Discussion of competitors' strategy Responding to competitors' actions Surpassing competitors
		SMEs' Performance	sales target fulfilment, number of customers, sales growth, marketing reach profit growth
3	Shehu and Mahmood, (2014)	Market Orientation	Respond to competitive action Competitor orientation Product competitiveness Coordination Value added customer products Customer orientation Customer satisfaction Cooperation in formulating strategies After sales service Customer added value creation
		Entrepreneurial Orientation	Competitive strategy adoption Adoption of strong and fearless measures Adoption of aggressive position to increase potential opportunity chances Emphasis on high risk projects Aggressive action over competitors Production of many products/services
		SMEs' Performance	Product sales Wider market Increase in employees Increase in customers Customer complaint
4	Aliyu (2014)	Task Environmental Scanning	Frequency of scanning Degree of interest
		Entrepreneurial characteristics	Achievement motivation, Locus of control, Need for dominance, Passion for work Risk taking/aversion
		Organizational configuration	Decentralisation Formalisation Coordination
		SMEs' Performance	Sales growth Customer satisfaction Profit

Source: Literature Review

It can be observed from the table 2.2 that, just like the current study Reulink (2012) measured SMEs' performance using the combination of financial and non- financial measurement. Yet, it used market orientation and entrepreneurial orientation for which entrepreneurial orientation is one of the variables of the current study, but market orientation represents only the customer and competitors' aspects of task environmental scanning. He also looked at the customer and competitors' aspects in terms of the extent to which various functions of an organisation are coordinated to compete with competitors and satisfy customers' wants. While this study looked at the customers', competitors' and suppliers' aspects in terms of the extent to which information are collected about them for the purpose of competing with competitors and satisfying customers.

Darmanto, *et al.* (2014) also combined financial and non- financial measurement. But, it looked at market orientation from view point of satisfying customers which is an aspect of the current study's environmental scanning. It also entrepreneurial orientation was measured based on surpassing competitors which represents only one item (need for dominance) among five areas of this research operationalised it.

Also like Reulink (2012) and Darmanto, *et al.* (2014), Shehu and Mahmood, (2014) considered the combination of financial and non-financial measurement as SMEs' performance. They also operationalised market orientation as the extent to which an SME competes with competitors and satisfies customers' wants as Reulink (2012) did. But the measured entrepreneurial orientation on two (need for dominance and risk taking/aversion) of the five (achievement motivation, locus of control, need for dominance, passion for work risk taking/aversion) items used by this study.

Thus, this study differs from the above studies in that they only considered some aspects of two of its variables (entrepreneurial characteristics and task environmental scanning) and none of them looked at organisational configuration. Therefore this study is designed to fill this literature gap.

2.7 Theoretical Framework

This study will be based on the combination of Systems Theory and Contingency Management Theory. The theories looked at business management from three perspectives: entrepreneurial characteristics, organisational configuration and task environment scanning and then looked at the effectiveness of these managerial constructs on business performance.

2.7.1 Contingency Management Theory

The situational or contingency theory argued that when managers make a decision, they must take into account all aspects of the current situation and act on those aspects that are keys to the situation at hand. Basically, it is the approach that is based on “it depends”. Contingency approach is not decisive as to what particular course of action a manager should pursue; rather it depends on aspects of the current situation. Entrepreneurial characteristics such as: achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion enable an owner-manager to motivate, set goals, objectives, develop alternatives, make decisions for his business, allocate resources and motivate actions. Thus, managing based on parameters of the situation explained the behavior of an entrepreneurial manager’s behavior.

Here the concern is about effectiveness or otherwise of the given entrepreneurial characteristics of an owner-manager that enables him to configure his business and planned

against the adverse effect of task environmental factors. This then, will give rise to evolution or devolution in the event of effectiveness or ineffectiveness of the above three factor. Evolution is the indirect effect of task environment, organisational configuration and entrepreneurial characteristics through success-failure construct, because it is either of them that determine whether a business will change from one scale to another. An SME can grow to a MSE or LSEs in the event of success and under develop to Micro Business in the event of failure.

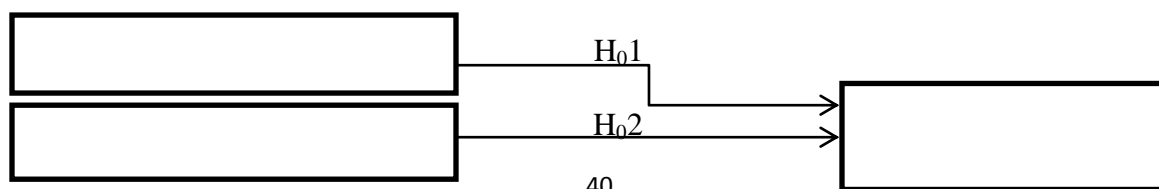
2.7.2 Systems Theory

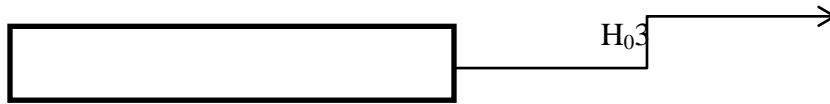
This theory argued that organisation as a system composed of subsystems; has a central purpose; components are interrelated and it operates within an environment. In the first place it viewed organisation as closed system consisting interrelated elements working together to achieve a predetermined goal. The elements take the forms of departments/units or members of the organisation. The various departments in an organisation such as finance, production, marketing and human resource cannot work independently and achieve the organisational goal; the same is the case of individual workers in an organisation. The efforts of various units or individuals have to be coordinated and directed towards achieving the overall organisational goals and objective. Organisational Configuration refers to the formal structure of the organization. And they argued that, hierarchy is often contracted, and decision making is centralised in small business and that a small business organisational chart is rarely formalised. Therefore, it has less interpersonal and structural differentiation in response to task diversity and departmental interdependencies often is more personalised than in large firms. This explains how owner-managers structure their organisations and operate effectively and efficiently.

The second view of Systems Theory is that the whole organization is an element/unit system operating within a broad environment; therefore it takes and gives out to the environment. It recruits from the society and sell out goods and services to it; it learns strategies from competitors, they learn from it and it buy from suppliers, they buy from it. Thus, in respect to interaction with business environmental factors, an organisation is an open system. The task environment includes of customers, suppliers, competitors etc. Given the fact that small businesses are more vulnerable to the effects of the environment compared to LSEs and their limited financial and human resources, they spend more time adjusting to turbulence than predicting or controlling it. Thus, their survival depends to a large extent on how they interact with these environmental factors. This explained how owner-managers that scan their environment produce appropriate products; set appropriate price; target appropriate market; inform and create appropriate customers and succeed in a competitive environment.

The decision to anchor the study on these theories was informed by the fact that the study looked at impact of task environmental scanning, organisational and entrepreneurial characteristics on SMEs performance in the areas of sales growth, customer satisfaction and profitability which are contained in the variable success/failure. Thus the theories provided a way of linking the study variables.

Figure 2.1: Diagrammatical presentation of the Conceptual Framework of the Study





Source: Conceptual Framework adapted from Amboise and Muldowney (1988)

2.8 Summary

This chapter has presented a review of the literature in relation to SMEs thereby defining SMEs in line with SMEDAN (2012) definition, as any enterprise with capital base worth N5 million and below N500 million or has a number of employees up to 10 and below 200. This chapter has also discussed different views on task environmental scanning, entrepreneurial characteristics and organisational configuration. Task environmental scanning was found to be keeping abreast with any one or more sources of information about customers, suppliers, competitors and regulatory bodies. Characteristics such as: achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion were generally acknowledged as characteristics successful entrepreneurial. It also discovered that the main purpose of structure is to gain competitive advantage through the resource of the organisation depending on how management makes it unique in appealing customer demand.

The chapter also reviewed empirical studies on the three construct and performance. It was found that all the studies conducted outside Nigeria reported significant positive relationship between the variables while the few Nigerian based reported inconsistent findings on environmental scanning and SMEs' performance and insignificant negative relationship between entrepreneurial characteristics and SMEs' financial performance. It was also established that no previous study used the same three constructs together at the same study, but the current study looked at the impact of the three constructs on the dependent variable at the same study. The previous studies that combined two or more variables were on strategic

orientation and they only considered some aspects of two of its variables (entrepreneurial characteristics and task environment scanning) and none considered organisational configuration. Lastly the study was anchored based on the combination of System Management Contingency Management and System Management Theories. Contingency management theory explained entrepreneurial characteristics while system management theory explained task environment scanning and organisational configuration constructs.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This section identifies and discusses the various methods used in carrying out this research. First of all the research design was discussed then research population and sample size, measurement of the variables, validity and reliability, method of data collection and lastly the techniques of data analysis.

3.2 Research Design

The study is cross-sectional in nature where data were collected from the population of the study using survey questionnaire and analyzed to report the finding at a point in time. Thus, the study is not subjected to timeframe. The questionnaire was divided into four sections and all the questions are in close ended form. Section one asked questions about the environmental scanning ability of an owner-manager; section two asked questions about the organisational configuration skill of an owner-manager; section three are set of questions on management (entrepreneurial) characteristics and section four consists of questions on SMEs performance. Level of agreement to the statements in section one, two and three indicates the level of managerial constructs and level of disagreement indicates the level of lack of managerial constructs while in section four, level of agreement indicates level of performance and level of disagreement indicates the level of lack of performance.

3.3 Research Population

The population of the study is the 545 SMEs in Bauchi State. This is the result of a Collaborative Survey by National Bureau of Statistics (NBS) and SMEDAN of 2012. It was obtained from Bauchi state Ministry of Commerce and it is the latest information the ministry has about the number of SMEs in the state. Therefore, the actual informants of study were 545 owner-managers of these SMEs.

3.4 Sample Size and Sampling Technique

The sample size of the study was determined using Yamane formula cited in Israel (2013) as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where: n= sample size, N= the population, e = level of significance

Thus, N = 545, e = 0.05 and n = ?

$$\begin{aligned} n &= \frac{545}{1+545(0.05)^2} \\ &= \frac{545}{1+ 1.36} \\ &= \frac{545}{2.36} \\ &= \underline{231} \end{aligned}$$

For the purpose of increased representation 30% (70) was added to the above minimum sample size given by the formula to make it 301 (Israel, 2013). This took care of other unavoidable errors such as incorrect filing and failure of some respondents to return the questionnaire.

The unit of analysis of the study is the SMEs, while the unit of inquiry is the owner-managers. As such, these 301 owner-managers were drawn from 20 LGs of the state. The state is divided into 3 senatorial zones. 2 LGs were selected from each senatorial zone of the state based on stratified sampling technique. These 2 LGs were selected from each zone on the bases of one LG with high concentration of SMEs and one LG with low concentration of SMEs thus: Bauchi and Dass represent south; Misau and Dambam represent central and Katagum and Shira represent north.

3.5 Measurement of Variables

Entrepreneurial characteristics was determined in the areas of achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion (Acharyaa, *et al.*, 2007; Adegbite, *et al.*, 2006). It was measured using adapted items from Acharyaa, *et al.* (2007) questionnaire of measuring entrepreneurial characteristic on 5 point Likert scale as strongly disagree (1), disagree (2), undecided (3), agree (4) and strongly agree (5).

Organizational configuration was determined in the areas of decentralisation, coordination and formalisation and will be measured using questionnaire developed by Meijaard, *et al.* (2005). The responses was taken on 5-point Likert scale as strongly disagree (1), disagree (2), undecided (3), agree (4) and strongly agree (5).

The environmental scanning was measured by frequency of scanning and the degree of interest (the degree to which the owner-manager makes it a point to consult an information source) because they were the most widely used two dimensions for measuring level of environmental scanning (Hambrick, 1982). However, these two dimensions may be measured

differently or combined together on the same scale (Zhang, *et al.*, 2011). The frequency of scanning could be measured through a 5 point Likert scale ranging from seldom to regularly (Ebrahimi, Edmondson, Rothstein, & Chess, 2000) or on a 5 point scale with a range from never (0) to daily (365) (Sawyer, 1993). This study adapted the combination of items from Magaisa, *et al.* (2013) and Jorosi, (2008) questionnaires and the responses was taken on 5 point Likert scale as strongly disagree (1), disagree (2), undecided (3), agree (4) and strongly agree (5).

There is no disagreement among researchers that objective measures of performance are more appropriate than subjective evaluation of performance (Mahmood & Hanafi, 2013). However, when dealing with SMEs collecting objective data is very difficult and sometime unreliable because owner/managers in most cases do not possess accurate and complete record of their firms therefore, they may not be able to provide objective information about their firms' performance, but subjective measurements such as questionnaire may attract them to give valid information because it only asks them to give an assessment of their firms' performance. Therefore, some researchers used subjective approach through self-reporting measures. Joseph (2009) asked owner-managers to assess the performance of their organization's in terms of sales growth and inventing new markets and products on 4 point Likert scale. Similarly, Apolot (2012) requested subjective estimates of performance in sales growth, market share, customer satisfaction and profitability on a 5-point scale. Mahmood and Hanafi (2013) asked them to state their firms' performance in terms of criteria like profitability and market share on 5-point Likert scale items. In this study, SMEs performance was measured on Apolot (2012) questionnaire items that focus on the areas of sales growth, customer satisfaction and profitability on 5 point Likert scale as strongly disagree (1), disagree (2), undecided (3), agree (4) and strongly agree (5).

3.6 Validity and Reliability of Instrument

The validity of the adapted instrument was obtained through the panel of two experts. They rated each scale item in terms of its relevance to the construct. The items were rated on 4-point ordinal scale: not relevant, somewhat relevant, quite relevant and highly relevant. Then, Content Validity Index (CVI) for each scale was computed as cited in Polit and Beck (2006) as follows:

$$\text{CVI} = \frac{\text{Number of items rated quite relevant and highly relevant in a construct by both rater}}{\text{Number of items in a construct}}$$

As such, 8 out of the 9 items of the task environmental scanning construct were rated quite relevant and highly relevant; therefore, its validity index was 0.89. All the items under entrepreneurial characteristics, were rated quite relevant and highly relevant, therefore its CVI was 1.00. For organisational configuration 8 out of the 9 items were rated quite relevant and highly relevant; therefore it has 0.89 CVI. All the items of SMEs' performance were rated quite relevant and highly relevant; therefore, it has 1.00 CVI. Therefore, all the scales met the minimum validity of 0.80 (Polit & Beck, 2006).

The reliability of the questionnaire was obtained through a pilot study on a pilot sample. The reliability statistics using Cronbach Alpha during the pilot were: 0.83 for environmental scanning, 0.726 for entrepreneurial characteristics, 0.921 for organisational configuration and 0.805 for SMEs' performance.

The internal consistency of the scales was maintained in the actual data, also with the application of the Cronbach Alpha Coefficient as in the table 3.1.

Table 3.1: Reliability Result

Variable	Operationalization	Number of Items	Cronbach Alpha
Entrepreneurial Characteristics	Achievement motivation Locus of control Need for dominance Passion for work Risk taking/aversion	9	0.917
Organizational Configuration	Decentralization Formalization Coordination	9	0.903
Task Environmental Scanning	Frequency of scanning Degree of interest to find information	8	0.827
SMEs Performance	Sales growth Customer satisfaction Profit	11	0.942

Source: Questionnaire, 2014

The table 3.1 above displays the reliability coefficients for all the constructs used in the study. All alpha reliabilities for all scales were above 0.70, therefore meeting acceptance standards for research (Cortina, 1993).

3.7 Method of Data Collection

Questionnaire was the method used for data collection in this study. The copies of the questionnaire was apportioned among the LGs based on their number of SMEs registered with cooperative offices as the record obtained from the state ministry of commerce does not contain number of SMEs according to LGs.

Table 3.2: Distribution of Questionnaires Amongst LGs

s/n	LG	Registered SMEs	Apportioning of Questionnaire
1	Bauchi	124	107
2	Dass	31	27
3	Katagum	82	71
6	Shira	38	33
4	Misau	52	45
5	Dambam	21	18
Total	-	348	301

Source: Researcher's calculation

Table 3.2 above shows the distribution of copies of the questionnaire between 6 LGs sampled for the study. The 301 copies were apportioned among the LGs such that for each LG according to its total number of registered SMEs.

3.8 Technique of Data Analysis and Justification

The data of this study were analysed first using descriptive and inferential statistics. The descriptive statistics were used to determine the level of application of managerial constructs and the level of SMEs performance in Bauchi state. The inferential statistics using Pearson correlation was used to determine the pattern of relationship among the independent variables of the study so as to detect multicollinearity. Multicollinearity as a phenomenon in which two

or more independent variables in a multiple regression model are extremely associated result in multiple effects of significantly related independent variables on the dependent variable. Running data on correlation apart from showing the relationship between the independent and independent variables it shows relationship between the independent variables. Shehu and Mahmood (2014) argued that simplest way of detecting multicollinearity is to check the correlation matrix of the independent variables. Finally, it was run on multiple regression analysis to test the hypotheses about the impact of managerial constructs on SMEs' performance with Statistical Package for Social Science (SPSS) version 18. (Norman, 2010).

3.9 Model Specification

In the first place, the model tested in this study place specified that

$$BP = f(EC+ OC+ES).....1$$

Then, BP was regressed on EC, OC and ES. As such the combined impacts of the three independent variables on the dependent variable were determined on Multiple Regression as:

$$BP = \alpha + \beta_1EC + \beta_2OC + \beta_3ES + \epsilon.....2$$

Where:

EC = Entrepreneurial Characteristics

ES = Environmental Scanning

OC = Organizational Configuration

BP = SMEs Performance

α = Constant (value of the dependent variable when the independent variable is zero)

β = Regression Coefficient

ϵ = Error Term

3.10 Summary

This chapter has outlined the methodology and research design employed in this research. The establishment of a robust research methodology was the focus of this chapter. The research was cross-sectional in nature based on quantitative research method. Also, the chapter has identified the data sources that were used in the research. The choice of the research strategy was based on the nature of the data. A survey questionnaire was used to collect data from the sample of 254 SME owner-managers operating in Bauchi state. This chapter also discussed the approaches adopted in the research as well as the criteria employed for selecting the sample size and sampling technique. This chapter also specified the tools of data analysis as descriptive and inferential statistics and the rationale for choosing them was highlighted. Lastly, the model of the study was specified in regression form

CHAPTER FOUR DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter analyses the data collected from owner-managers of SMEs in Bauchi state. In order to achieve the main objective of this research which is to examine the impact of managerial constructs on SMEs performance adopts entrepreneurial characteristics, organisational configuration and task environmental scanning, as independent variables against the SMEs performance. The three hypotheses will be tested and the findings will be explained.

4.2 Summary of the Responses

The total of 301 copies of questionnaire was distributed and 266 (88%) were retrieved. Data screening was carried out on 266 out of which 237 (79%) were found to have been correctly filled. Thus, the analysis was based on 237 filled and returned questionnaires which represent the 79% of the total questionnaires distributed.

Table 4.0: Summary of the Responses

Item	No of Copies	Percentage
No of Questionnaire Distributed	301	100
No of Returned Questionnaires	266	88
No. of Correctly Filled Questionnaires	237	79

Source: Researcher's calculation

4.3 Data Presentation and Descriptive Analysis

The rule of this analysis is that any mean response of 1-2.49 (below average) would be considered as lack of performance; exactly 2.50-3.49 (average) would be considered average performance and above 3.50-5.00 (above average) would be considered as high performance.

Table 4.1: Descriptive Statistics on Entrepreneurial Characteristics

	N	Minimum	Maximum	Mean	Std. Deviation
1 Working hard is something you like doing very much in your life	237	1.00	5.00	3.9241	1.10973
2 It is usually easy for you to stick to your aims and accomplish your goals	237	1.00	5.00	3.7553	1.06127
3 You achieve your targets because you worked hard for it not because you are lucky	237	1.00	5.00	3.4641	1.03936
4 When working in a group, you prefer being “in command” rather than being a follower	237	1.00	5.00	3.6203	1.04926
5 You can remain calm when facing difficulties because you can rely on your coping abilities	237	1.00	5.00	3.7722	.91062
6 Most of your life’s satisfaction is derived from your work	237	1.00	5.00	3.7046	.94628
7 You set goals for yourself in order to direct you activities for making the business a success	237	1.00	5.00	3.8650	1.00777
8 Whenever your method of running business is not successful, you easily come up new methods of running the business	237	1.00	5.00	3.5865	1.04451
Valid N (listwise)	237				

Source: Questionnaire, 2014

Table 4.1 showed a mean response to question 1 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-manager possessed the entrepreneurial

characteristic hard Work. The mean response to question 2 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-managers stick to their aims and work to accomplish their goals. The mean response to question 3 on entrepreneurial characteristics is at average (2.50-3.49); this indicates that owner-managers believed that they achieve their targets because they worked hard for it not by luck. The mean response to question 4 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-managers possessed the entrepreneurial characteristic of being “in command” rather than being a follower, when working in a group. The mean response to question 5 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-managers remain calm when faced with difficulties because of their coping abilities. The mean response to question 6 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-manager possessed the entrepreneurial characteristic of hard Work. The mean response to question 7 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-managers possessed the entrepreneurial characteristic of deriving their life’s satisfaction from their works. The mean response to question 8 on entrepreneurial characteristics is above average (2.50-3.49); this indicates that owner-managers possessed the entrepreneurial characteristic of being innovative in terms of new methods of carrying out their businesses when existing ones fail.

Table 4.2: Descriptive Statistics of Organisational Configuration

	N	Minimum	Maximum	Mean	Std. Deviation
1 You do not relate directly with most of your workers in work related issues	237	1.00	5.00	2.2574	1.01951
2 You do not participate in private activities of your workers	237	1.00	5.00	2.6920	1.06269
3 You allow some your workers to oversee various parts of your business	237	1.00	5.00	2.7131	1.18338
4 The long term goals of your organization are clearly communicated to your workers	237	1.00	5.00	2.7342	1.12794
5 The long term goals of your organization are communicated in written form	237	1.00	5.00	2.5190	1.00246
6 You have standardized level of performance for your workers	237	1.00	5.00	2.6371	1.06324
7 The standardized level performance for your workers is communicated in written form	237	1.00	5.00	2.6371	1.11003
8 You record the daily activities of your business	237	1.00	5.00	2.7046	1.12243
9 Information for workers are given in written form	237	1.00	5.00	2.6414	1.03849
Valid N (listwise)	237				

Source: Questionnaire, 2014

Table 4.2 showed a mean response to question 1 about the organisational configuration is below average (2.50-3.49), this indicates that owner-managers relate directly with most of their workers in work related issues. The mean response to question 2 about the organisational configuration is on average (2.50-3.49); this indicates that an average owner-manager do not participate in private activities of his workers. The mean response to question 3 about the organisational configuration is on average (2.50-3.49); this indicates that an average owner-manager allow some of their workers to oversee some aspects of their businesses. The mean response to question 4 about the organisational configuration is at average (2.50-3.49); this indicates that an average owner-manager communicate long term goals of his organisations to

their workers. The mean response to question 5 about the organisational configuration is below average (2.50-3.49); this indicates that an average owner-manager communicate the long term goals of his organisation to his workers in written form. The mean response to question 6 about organisational configuration is on average (2.50-3.49); this indicates that an average owner-manager has standardised level of performance for his workers. The mean response to question 7 on organisational configuration is at average (2.50-3.49); this indicates that an average owner-manager communicates his standardised level of performance to his workers. The mean response to question 8 on organisational configuration is at average (2.50-3.49), this indicates that owner-manager records the daily activities of his businesses. The mean response to question 9 about the organisational configuration is on average (2.50-3.49); this indicates that an average owner-manager passes information to workers in written form.

Table 4.3: Descriptive Statistics of Environmental Scanning

	N	Minimum	Maximum	Mean	Std. Deviation
1 You read business news on Newspapers for the purpose of your business plan	237	1.00	5.00	2.1772	1.11339
2 You listen to business news on TV or radio for the purpose of your business plan	237	1.00	5.00	2.2363	1.14752
3 You browse business news on internet for the purpose of your business plan	237	1.00	5.00	2.3080	1.12467
4 You attend Trade fares and shows for the purpose of your business plan	237	1.00	5.00	2.3165	1.11854
5 You know the sources of income of your customers	237	1.00	5.00	2.4219	1.10047
6 You usually ask or listen to your customers about the quality and affordability of your products	237	1.00	5.00	2.4557	1.12141
7 You use to know the day your competitor(s) reduce price	237	1.00	5.00	2.3333	1.05899
8 You use to know the day your competitor(s) embark on any promotional activity	237	1.00	5.00	2.3418	1.06029
9 You watch the activities of your suppliers	237	1.00	5.00	2.5570	1.10561
Valid N (listwise)	237				

Source: Questionnaire, 2014

Table 4.3 showed a mean response to question 1 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not read business news on Newspapers for the purpose of their business plan. The mean response to question 2 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not listen to business news on TV or radio for the purpose of their business plan. The mean response to question 3 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not browse business news on internet for the purpose of their business plan. The mean response to question 4 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not attend Trade fares and shows for the purpose of their business plan. The mean response to question 5 on environmental scanning is below average (2.50-3.49), this shows that owner-manager is not concern about the sources of income of their customers. The mean response to question 6 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not usually ask or listen to their customers about the quality and affordability of their products. The mean response to question 7 on environmental scanning is below average (2.50-3.49), this shows that owner-managers do not know the days their competitor(s) reduce price. The mean response to question 8 on environmental scanning is below average (2.50-3.49), this shows that owner-manager do not use to know the day their competitor(s) embark on promotional activities. The mean response to question 9 on environmental scanning is at average (2.50-3.49), this shows that owner-managers are conscious of the activities of their suppliers.

Table 4.4: Descriptive Statistics of SMEs Performance

	N	Minimum	Maximum	Mean	Std. Deviation
1 Your sales volume is increasing	237	1.00	4.00	2.1646	.78811
2 In relation to the resources committed, your overall market performance has improved	237	1.00	4.00	2.2743	.75681
3 You are experiencing remarkable market growth for your business	237	1.00	5.00	2.4684	.76195
4 Your customers are happy with the superior value of your products/services relative to your competitors	237	1.00	5.00	2.8776	.87685
5 Your customers are happy with your long term customer relationship strategy	237	1.00	5.00	3.0169	.79173
6 You often receive complimentary phone calls/letters about quality of your products	237	1.00	5.00	2.8481	.85502
7 Your customer complaints are addressed on time	237	1.00	5.00	2.5485	.76105
8 On-time deliveries are made in your organization	237	1.00	5.00	2.2954	.72289
9 Your business is becoming more profitable	237	1.00	4.00	2.1350	.74128
10 The revenue of your business has increased over the last few years	237	1.00	4.00	2.0759	.76089
11 The return on investments in your company is good	237	1.00	5.00	2.0717	.83813
Valid N (listwise)	237				

Source: Questionnaire, 2014

Table 4.4 showed a mean response to question 1 on SMEs performance and is below average (2.50-3.49), this indicates that the SMEs sales volume is not on the increase. The mean response to question 2 on SMEs performance is below average (2.50-3.49), this indicates that with the commitment of their resources, SMEs' overall market performance is yet to improve. The mean response to question 3 on SMEs performance is below average (2.50-3.49), this indicates that SMEs are not experiencing remarkable market growth. The mean response to question 4 on SMEs performance is at average (2.50-3.49); this indicates that an average SME has customers that are happy with the superior value of his products/services relative to his competitors. The mean response to question 5 on SMEs performance is at average (2.50-3.49), this indicates that an average SME has customers that are happy with his long term customer relationships strategy. The mean response to question 6 on SMEs performance is below average (2.50-3.49), this indicates that an average SME often receives complementary phone calls/letters about the quality of his products. The mean response to question 7 on SMEs performance is above average (2.50-3.49), this indicates that on average, customers' complaint are addressed to on time. The mean response to question 8 on SMEs performance is at average (2.50-3.49), this indicates that an average on-time delivery is made by SMEs. The mean response to question 9 on SMEs performance is below average (2.50-3.49), this indicates that SMEs are not becoming more profitable. The mean response to question 10 on SMEs performance is below average (2.50-3.49), this indicates that SMEs' revenue has increased over the last few years. The mean response to question 11 on SMEs performance is below average (2.50-3.49), this indicates that SMEs' return on investments is poor.

Table 4.5: Descriptive Statistics of the Computed Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Entrepreneurial Characteristics	237	1.00	4.63	3.7009	.71254
Organizational Configuration	237	1.00	4.67	2.6254	.84320
Environmental Scanning	237	1.00	4.56	2.3497	.85664
SMEs Performance	237	1.18	4.36	2.4342	.62803
Valid N (listwise)	237				

Source: Questionnaire, 2014

Table 4.5 showed a mean response above average (2.50-3.49) against the computed value of responses to entrepreneurial characteristics; this indicates that SME owner-managers in Bauchi state possessed highly entrepreneurial characteristics. The mean response of the computed value of responses to organisational configuration is on average (2.50-3.49); this indicates that an average owner-manager in Bauchi state adopts an organisational configuration in his/her SME. The mean response of the computed value of responses to environmental scanning is below average (2.50-3.49); this indicates that SME owner-managers in Bauchi state do not scan their task environment. The mean response of the computed value of responses to SMEs performance is below average (2.50-3.49); this indicates that SME owner-managers in Bauchi state are not adequately performing.

4.4 Test of Hypotheses

The hypotheses formulated are tested at 5% level of significance and the decision rule is that, if the t-value is less than the critical value, the hypothesis will be accepted and if equal or greater than the critical value, it will be rejected.

H₀₁: Entrepreneurial characteristics have no significant impact on SMEs performance in Bauchi state

H₀₂: Organisational configuration has no significant impact on SMEs performance in Bauchi state

H₀₃: Task environmental Scanning has no significant impact on SMEs performance in Bauchi state

Table 4.6: Correlations

		MC	OC	ES	BP
MC	Pearson Correlation	1	.087	.069	.693**
	Sig. (2-tailed)		.183	.289	.000
	N	237	237	237	237
OC	Pearson Correlation	.087	1	.080	.155*
	Sig. (2-tailed)	.183		.219	.017
	N	237	237	237	237
ES	Pearson Correlation	.069	.080	1	.077
	Sig. (2-tailed)	.289	.219		.236
	N	237	237	237	237
BP	Pearson Correlation	.693**	.155*	.077	1
	Sig. (2-tailed)	.000	.017	.236	
	N	237	237	237	237

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Questionnaire, 2014

The table 4.6 presented the Pearson correlation coefficient (r) that measured the strength of the association between the four variables of the study. To investigate the relationship among the constructs a Zero-order correlation table was generated. The Pearson correlation coefficient (r) was employed to establish the relationship between entrepreneurial characteristics, organisational configuration, task environmental Scanning and SMEs Performance.

Table 4.7: Zero-order Matrix

	1	2	3	4
Entrepreneurial Characteristics(MC)	1			
Organizational Configuration(OC)	0.087	1		
Environmental Scanning (ES)	0.069	0.080	1	
SMEs Performance (BP)	0.693**	0.155*	0.077	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Questionnaire, 2014

Correlation results indicated a significant positive relationship between entrepreneurial characteristics and SMEs performance ($r = 0.693^{**}$, $p < .01$). Another strong positive relationship also exists between organisational configuration and SMEs performance ($r = 0.155^*$, $p < .05$), while insignificant relationship exists between task environmental scanning and SMEs performance ($r = 0.077$, $p > .05$). No evidence of multicollinearity exists between the independent variables as most researchers consider correlation of 0.7 and above as high Sekaran and Bougie (2010), therefore all the independent variables are qualified for multiple regression analysis.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.700 ^a	.490	.484	.47467

a. Predictors: (Constant), ES, MC, OC

b. Dependent Variable: BP

Source: Questionnaire, 2014

According to Table 4.8, entrepreneurial characteristics measured in the areas of achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion; organisational configuration measured in the areas of decentralisation, coordination and formalisation and Task Environmental Scanning measured in the areas of frequency and the degree of interest account for 48.4% of the variation in SMEs' performance measured in the areas of sales growth, customer satisfaction and profit growth (Adjusted R Square = .484).

Table 4.9: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.491	3	16.830	74.699	.000 ^a
	Residual	52.497	233	.225		
	Total	102.988	236			

a. Predictors: (Constant), ES, MC, OC

b. Dependent Variable: BP

Source: Questionnaire, 2014

The F-statistics tests the fitness of the model of multiple regressions specified for this study, where SMEs performance was expressed as the function of entrepreneurial characteristics, organisational configuration and task environmental scanning. Table 4.9 shows that the model is significant at 1%, hence reliable for making conclusions and recommendations.

Table 4.10: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.134	.195		-.687	.493
EC	.634	.044	.684	14.532	.000
OC	.074	.037	.094	1.995	.047
ES	.017	.036	.023	.479	.633

a. Dependent Variable: BP

Source: Questionnaire, 2014

Table 4.10 showed a p-value of 0.000 which is less than 5% against entrepreneurial characteristic (EC), Therefore, we reject the first hypothesis (H_{01}) which stated that entrepreneurial characteristics has no significant impact on SMEs performance in Bauchi state. It also showed a p-value of 0.047 again less than 5% against organisational configuration (OC), therefore, we reject the second hypothesis (H_{02}) which stated that organisational configuration has no significant impact on SMEs performance in Bauchi state. Against environmental scanning (ES) it showed a p-value of 0.633 which is greater than 5%, therefore, we accept the third hypothesis (H_{02}) which stated that task environmental scanning has no significant impact on SMEs performance in Bauchi state.

The most significant predictor of SMEs performance was entrepreneurial characteristics ($t=14.532$, Sig. = 0.000), then organisational configuration ($t=1.995$, Sig. = 0.047) while

environmental scanning ($t= 0.479$ Sig. = 0.633) did not appear as a significant predictor of SMEs performance in Bauchi state. The results revealed that two managerial constructs (entrepreneurial characteristics and organisational configuration) are significant predictors of SMEs performance in Bauchi state, and only one construct (task environmental scanning) appeared as insignificant predictor of SMEs performance.

4.5 Research Findings

i. Entrepreneurial Characteristics

The mean analysis of the entrepreneurial characteristics in table 4.5 showed that the mean responses of SME owner-managers in Bauchi state fall above the average. This indicates that SME owner-managers in Bauchi state possessed highly entrepreneurial characteristics such as achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion.

ii. Organisational Configuration

The mean analysis of the organisational configuration in table 4.5 showed that the mean responses of SME owner-managers in Bauchi state fall within the average. This means that that SMEs in Bauchi state are to a little extent decentralised, and formally coordinated, thus, configured.

iii. Environmental Scanning

The mean analysis of the environmental scanning in table 4.5 showed that the mean responses of SME owner-managers in Bauchi state fall below the average. As such, SME owner-managers in Bauchi state do not devote their time and effort to acquiring information about their customers, competitors and suppliers for the purpose of

satisfying their customers better than their competitors and maintaining reliable sources of raw materials.

iv. SMEs' Performance

The mean analysis of the SMEs' performance in table 4.5 showed that the mean responses of SME owner-managers in Bauchi state fall below the average. This shows that although SMEs in Bauchi state are experiencing little customer satisfaction, yet they are not experiencing sales and profit growth; hence they are poorly performing.

v. Entrepreneurial Characteristics and SMEs' Performance

The first objective of this study was to examine the impact of entrepreneurial characteristics on SMEs performance in Bauchi state. The findings indicate that entrepreneurial characteristics have significant positive impact on SMEs' performance. This indicates that the more an owner-manager of SME possesses entrepreneurial characteristics, the higher his/her SME will perform in the areas of sales growth, customer satisfaction and profit growth. This finding is supported by Gupta and Govindarajan (1984) in India, Rimoli, *et al.* (2005) in Brazil, Acharyaa, *et al.* (2007) in India, Reulink, (2012) in Netherland, Rao, *et al.* India (2013) and Darmanto, *et a.l* (2014) in Indonesia and contradicted Adegbite et al. (2006) in Oyo state, Nigeria.

vi. Organisational Configuration and SMEs' Performance

The second objective the study was to examine the impact of organisational configuration on the performance of SMEs in Bauchi state. The findings showed that organisational configuration in areas of decentralisation, coordination and the

formalization has significant positive impact on SMEs performance. This means the more an SME is decentralised, coordinated and formalised, the higher it will perform in the areas of sales growth, customer satisfaction and profit growth in Bauchi state. This view is consistent with Freel (2000) in UK and Meijaard, et al. (2005) in the Netherland.

vii Task environmental Scanning and SMEs' Performance

The third objective the study was to examine the impact of environmental scanning on the performance of SMEs in Bauchi state. The findings showed that environmental scanning in the areas of frequency of scanning and the degree of interest of the scanning has an insignificant positive impact on SMEs performance. This indicates that even if owner-managers of SMEs in Bauchi state increase the frequency and the degree of interest in scanning their task environment, it will not have a recognisable impact on the performance of their organisations. As such, acquiring more information about their customers, competitors and suppliers for the purpose of putting on the right direction, does not mean sales growth, customer satisfaction and profit growth in Bauchi state. This view is consistent with Sawyerr (1993) in Lagos, Nigeria and contradicted the findings of Kourteli (2005) in Greece, Karami (2008) in the UK, Jorosi (2008) in Botswana, Joseph (2010) in Ogun State Nigeria and Magaisa, et al. (2013) in Zimbabwe.

CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The application of managerial constructs has been strategic in SMEs' performance because they affect how organizational resources are organized and used in achieving the organizational goals effectively and efficiently. Several financial programs were designed and executed in the Nigerian SMEs sector with the aim of improving its performance but the sector is still identified with poor performance. Chuta (2012), Nnodim (2012) observed that SMEs performance in Nigeria is seriously deteriorating as a result of inadequate application of some managerial constructs. Thus, the study was designed to find out the impact of three managerial constructs on SMEs' performance in Bauchi state. Three hypotheses were formulated to guide the research thus: Entrepreneurial characteristics have no significant impact on SMEs performance in Bauchi state; Environmental Scanning has no significant impact on SMEs performance in Bauchi state; Organizational configuration has no significant impact on SMEs performance in Bauchi state.

The literature review revealed that SME is any enterprise with capital base worth N5 million and below N500 million or has a number of employees up to 10 and below 200. Task environmental scanning was found to be keeping abreast with any one or more sources of information about customers, suppliers, competitors and regulatory bodies. Entrepreneurial characteristics include: achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion. It also discovered that the main purpose of structure is to

gain competitive advantage through the resource of the organization depending on how management makes it unique in appealing customer demand. A review of 28 empirical studies in the area pointed out that no previous study used the same three constructs together in one study. The previous studies that combined two or more variables were on strategic orientation and they only considered some aspects of entrepreneurial characteristics and organizational configuration but none considered task environmental scanning as scanning.

The study employed a cross-sectional research design in order to achieve the objectives of the study. Data were collected using a survey questionnaire from the sample of 254 SMEs operating in Bauchi state and analyzed with descriptive and inferential statistics. The segments of the questionnaire were adapted as: environmental scanning-combination of items from Magaisa, *et al.* (2013) and Jorosi, (2008); entrepreneurial characteristics-Acharyaa, *et al.* (2007); organizational configuration-Meijaard, *et al.* (2005). SMEs' performance-Apolot (2012). All the responses were taken on 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The measurements were revalidated using CVI and the reliability was obtained using Cronbach Alpha Coefficient.

The descriptive result revealed that SME owner-managers in Bauchi state possessed entrepreneurial characteristics but they do not engage in environmental scanning; SMEs are configured yet, poorly performing. The test of the first hypothesis indicated that entrepreneurial characteristics have significant impact SMEs' performance in Bauchi state. The test of the second hypothesis also proved that organizational configuration has significant impact on SMEs' performance in Bauchi state. The test of the second hypothesis accepted that task environmental scanning frequency and the degree of interest in acquiring information

about customers, competitors and suppliers has no significant impact on SMEs' performance in Bauchi state.

5.2 Conclusions

The conclusions of the study were drawn based on the research objectives and hypotheses.

The finding suggests that achievement motivation, locus of control, need for dominance, passion for work and risk taking/aversion are important contributors to SMEs' performance in Bauchi state. Therefore, this study concluded that possession of entrepreneurial characteristics by an SME owner-manager leads to higher SMEs' performance in Bauchi state.

Organizational configuration also has significant positive impact on SMEs' performance. This implied that the more an owner-manager decentralizes coordinates and formalizes his SME; this would enhance the performance of his organization. Therefore, this study concluded that organizational configuration leads to higher SMEs' performance in Bauchi state.

Environments that businesses operate in have become complex, dynamic and competitive. Yet environmental scanning is not fully utilized by the SMEs in Bauchi. Nonetheless, environmental scanning appeared to have positive insignificant impact on SMEs' performance. Therefore, this study concluded that application of environmental scanning by owner-managers to a little extent leads to improved SMEs' performance in the state. Thus, as observed by the cooperative officers in Bauchi state, lack of application of managerial constructs is the hidden factor responsible for failure and deficient performance of SMEs in the state. Thus, unless measures are put in place by all stakeholders such as governments,

NGOs and SME owners' unions to tackle the problems of lack of application of managerial constructs Nigeria cannot reap the benefit of SMEs.

5.3 Recommendations

In line with the findings of the study the following are the recommendations are made:

- i. As the finding established that entrepreneurial characteristics have significant positive impact on SMEs' performance in the state, then there is a need for combined efforts between governments at all levels and NGOs towards management straining and development programmes for SMEs' owner-managers.
- ii. Also based on the finding which reported that organizational configuration in areas of decentralization, coordination and the formalization has significant positive impact on SMEs performance, SME owner-managers should be encouraged to make their organization more decentralized, coordinated and formalized as it improves SMEs performance.
- iii. Although the last finding indicated that task environmental scanning has insignificant impact on SMEs' performance, but the impact is positive. Thus, this research also recommends that the owner-managers should embrace the strategic management tools of environmental scanning as it will have positive impact on the performance of their businesses.

5.4 Contribution to Knowledge

This study has in line with the problem stated earlier in chapter one, investigated the impact of three managerial constructs on SMEs' performance in Bauchi State. It was found that three

managerial constructs combined together do strongly determine SMEs' performance in the state. Thus, the study has scientifically proven the claims of the cooperative officers that lack of necessary managerial capacity on the part of SME owner-managers is the reason behind deficient SMEs' performance in the state.

5.5 Suggestion for Further Studies

The scope of this study is limited to SMEs in Bauchi state, therefore, its findings may not be generalised for Nigeria as a whole. Thus, the study needs to be replicated in other states.

This study did not look at the SMEs sub-sector individually. As such, various studies are needed that will look at the impact of the constructs on the performance of SMEs sub-sectors such as manufacturing, distributive trading agriculture individually.

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Appendix A

Introduction

Dear respondent,

My name is Aliyu Ibrahim with registration number: MSc/ABU/AMIN/23071/2012-2013, an MSc student of Department of Business Administration, ABU, Zaria pleading for your kind assistance to fill in the questionnaire below. The information will be used solely for a dissertation research work in partial fulfillment of the requirement for the award of Master of Science (MSc) Degree in Business Administration and it will be treated confidentially; therefore fill every question to the best of your knowledge.

Thanks

Appendix B: Questionnaire

Instruction

Please tick (√) inside the boxes according to your level of agreement or disagreement with the statements below as:

	Section A (Environmental Scanning)	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	You read business news on Newspapers for the purpose of your business plan					
2	You listen to business news on TV or radio for the purpose of your business plan					
3	You browse business news on internet for the purpose of your business plan					
4	You attend Trade fares and shows for the purpose of your business plan					
5	You know the sources of income of your customers					
6	You usually ask or listen to your customers about the quality and affordability of your products					
7	You use to know the day your competitor(s) reduce price					
8	You use to know the day your competitor(s) embark on any promotional activity					
9	You watch the activities of your suppliers					

	Section B (Entrepreneurial Characteristic)	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	Working hard is something you like doing very much in your life					
2	It is usually easy for you to stick to your aims and accomplish your goals					
3	You achieve your targets because you worked hard for it not because you are lucky					
4	When working in a group, you prefer being “in command” rather than being a follower					
5	You can remain calm when facing difficulties because you can rely on your coping abilities					

6	Most of your life's satisfaction is derived from your work					
7	You set goals for yourself in order to direct you activities for making the business a success					
8	Whenever your method of running business is not successful, you easily come up new methods of running the business					

	Section C (Organizational Configuration)	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	You do not relate directly with most of your workers in work related issues					
2	You do not participate in private activities of your workers					
3	You allow some your workers to oversee various parts of your business					
4	The long term goals of your organization are clearly communicated to your workers					
5	The long term goals of your organization are communicated in written form					
6	You have standardized level performance for your workers					
7	The standardized level performance for your workers are communicated in written form					
8	You record daily activities of your business					
9	Information to workers are given in written form					

	Section D (Organizational Performance)	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	Your sales volume is increasing					
2	In relation to the resources committed, your overall market performance has improved					
3	You are experiencing remarkable market growth for your business					
4	Your customers are happy with the superior value of your products/services relative to your competitors					
5	Your customers are happy with your long term customer relationships strategy					
6	You often receive complementary phone calls/letters about your products					
7	Your customer complaints are addressed in time					
8	On-time deliveries are made in your					

	organization					
9	Your business is becoming more profitable					
10	The revenue of your business has increased over the last few years					
11	The return on investments in your company is good					