

Proactiveness and Performance of Small and Medium Enterprises in Rivers and Bayelsa States of Nigeria.

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ABSTRACT:- The study investigated the relationship between proactiveness and performance of small and medium enterprises in Rivers and Bayelsa states of Nigeria. The unit of data generation was the organization and the corresponding level of analysis was the macro-level. A total of three hundred and sixty (360) small and medium enterprises studied constituted the study population, and a sample size of one hundred and eighty-six (186) was drawn using the Krejcie and Morgan table. Data was collected through questionnaires distributed to the respondents. Using the Statistical Package for the Social Sciences version 22, and inferential statistics such as Pearson Product Moment Correlation Coefficients, regression and p-values were calculated in order to ascertain the nature and direction of the proposed relations and for testing the stated hypotheses. Results revealed positive and significant relationship between proactiveness and measures of small and medium enterprises performance. Therefore, the study specifically found that proactiveness led to improved customer satisfaction, growth and social performance of small and medium enterprises in Rivers and Bayelsa states. The study recommended that small and medium enterprises should apply and adopt proactiveness in the operation of their businesses to improve performance.

Keywords: Proactiveness, SME performance, growth, customer satisfaction, social performance.

I. INTRODUCTION

Small and medium enterprises (SMEs) play major roles to the development of any economy as they contribute more in employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries.

A Small and Medium Enterprise (SME) is an enterprise that has asset base (excluding land) of between ₦5million and ₦500million and labour force of between 10 and 300 people (CBN 2010). The national policy on small and medium enterprises also defined SMEs based on employment and asset base. A micro enterprise is defined as a business with less than 10 employees and asset base of less than ₦5million. A small enterprise is a business with between 10 and 49 employees and asset base of between ₦5million and less than ₦50million. While a medium enterprise is a business with between 50 and 300 employees and asset base of between ₦50million and ₦500million (SMEDAN 2003). Studies by the International Finance Corporation (IFC) show that approximately 96% of Nigerian businesses are SMEs compared to 53% in the US and 65% in Europe.

Proactiveness involves acting in anticipation of future problems, needs or any change thereof. It is the essence of not being reactive, forward looking, with resultant innovativeness that may lead to new products or activities. Lumpkin & Dess (2001) considered proactiveness a posture of anticipating and acting on future wants and needs in the marketplace and creating a first-mover advantage. First mover advantage refers to the benefit gained by firms that are the first to produce a new product or service, establish brand identity, enter new market, or adopt new operating technologies (Ferrier, Smith, & Grimm, 1999). Proactiveness is a firm's strategic orientation that captures specific entrepreneurial aspects of decision-making styles, methods and practices (Frank, Kessler, & Fink, 2010).

Performance measurement refers to the process of measuring the action's efficiency and effectiveness of a firm (Neely, Gregory, & Platts, 2005). To achieve higher performance, a firm must achieve its anticipated

objective with greater efficiency and effectiveness than its competitors (Wu & Zhao, 2009). In today's business management, performance measurement is considered to play a more critical role compared to quantification and accounting (Koufopoulos, Zoumbos, Argyropoulou & Motwani, 2008). Researchers have tried to determine various measures for the concept of firm's performance. Finding a measurement for the performance of the firm helps to compare performances over different time periods. Performance measurement is very important for effective management of any firm (Demirbag, Tatoglu, Tekinus, and Zaim, 2006).

This study is designed to examine the relationship between proactiveness and performance of small and medium enterprises in Rivers and Bayelsa states of Nigeria. It also seeks to provide answers to the following research questions:

- i. To what extent does proactiveness relate to growth of small and medium enterprises in Rivers and Bayelsa states?
- ii. To what extent does proactiveness relate to customer satisfaction of small and medium enterprises in Rivers and Bayelsa states?
- iii. To what extent does proactiveness relate to social performance of small and medium enterprises in Rivers and Bayelsa states?

II. LITERATURE REVIEW

Proactiveness

Proactiveness is a firm's ability to think ahead, foresee, initiate a change or take a first mover leap rather than being reactionary or defensive in its strategic posture. Proactiveness refers to an on-going perspective where a firm actively seeks to anticipate and take advantage of opportunities to develop and introduce new products and implement changes to existing firm's strategies and tactics. It also involves the ability to detect future market trends while securing first-mover advantage in the short-term and shaping the direction of the market environment in the long-term (Lumpkin & Dess, 1996, Lyon, Lumpkin and Dess 2000; Lumpkin and Dess 2005; Hughes and Morgan 2007). A strong proactive behaviour gives SMEs the ability to anticipate needs in the market place and the capability to anticipate competitor's needs (Covin & Slevin, 1989; Eggers, Kraus, Hughes, Laraway & Snyckerski, 2013). Proactiveness is active to influence and lead the future rather than waiting to be influenced by future. It involves exploiting opportunities and accepting the responsibility of failure (Kuratko, Hornsby, & Goldsby, 2007). Strategic managers who manage proactively have their eyes on the future and look for opportunities to exploit for growth and improved performance, and to create a competitive advantage. (Teece, Pisano, & Shuen, 1997). Proactiveness helps to create competitive advantages by placing competitors in the position of having to respond to first mover initiatives. Chang, Lin, Chang & Chen, (2007), postulate that a proactive firm does things ahead of their rivals rather than after. They lead in the development of new technologies, products and services as well as capacity building to enhance growth, while Keh, Nguyen & Hwei, (2007) argue that proactive orientation enables firms to be innovative and utilizes internal sharing of knowledge and information to exploit competitors' novelty. Proactiveness is done through new market and product development (Henderson & Cool 2003; Urban 2008), where challenges face many firms in today's business environment.

SME Performance

SME performance is a measure that describes the health of an SME that may not only depend on the efficiency and effectiveness but also on the environment where the SME operates (Onyenma, 2019). Performance may be regarded as a prominent achievement in one specific field of activity. Performance also defines how a person or groups reach a final conclusion to accomplish a goal. Yucesoy and Barabási (2016), defined performance to represent the totality of objectively measurable achievements in a certain domain of activity. This study will adopt three measures of firm performance to determine the performance of SMEs. They are; growth, customer satisfaction and social performance.

Growth

Growth is a positive increase in the size of a firm as evidenced in increase in sales or turnover, employees, quality of products and quality of customer relationship that may lead to increase in assets and profit of the firm (Onyenma, 2019). The growth in the size, even at the same profitability level, will increase its absolute amount of profit and cash generation. Organisational growth has been a focus in the literature with many researchers relating growth with entrepreneurship (Davidsson, Kirchoff, Hatemi-J, & Gustavsson, 2002). Growth as a measure of SME performance is generally based on the belief that growth is a harbinger to the realization of sustainable competitive advantages and profitability (Markman & Gartner, 2002).

Customer Satisfaction

Customer satisfaction is a judgement by a customer towards products or services of a firm that may lead to repurchase intention and willingness to recommend such product or services to other people (Onyenma, 2019). Lam, Shankar, Erramilli, & Murthy (2004) opined that higher customer satisfaction leads to higher levels of repurchase intent, customer advocacy, and customer retention. Higher customer satisfaction and loyalty leads to improved revenue, profitability, and cash flows (Ittner & Larcker, 1998; Reichheld & Teal, 1996). The consequential effect is that these relationships then lead to positive outcomes on the firm's performance which is evidenced in increased turnover, profit margin, stock price and market valuation (Fornell, Mithas, Morgeson & Krishnan, 2006; Gruca & Rego, 2005).

Social Performance

Social performance as a measure of SME performance is the actual transformation of SMEs' mission into practice in line with accepted social values (Onyenma, 2019). Therefore, social performance is about making SMEs' social mission a reality. To realize strong social performance, SMEs must involve all stakeholders in their strategic plan and business activities. Social responsibility cannot identify a range of social actions in corporate behaviour without measuring performance (Gallardo-Vázquez & SanchezHernandez, 2014). According to Dahlsrud (2008), businesses have always had an impact on the economy, society and the environment, have close relationships with government, customers or shareholders, and comply with the law. Also, Porter & Kramer, (2006) averred that organisations are critically evaluated on their social performance by and towards stakeholders.

Proactiveness and SME Performance

In a study to determine the relationship between proactiveness and performance of small and medium agro processing enterprises in Kenya, Wambogu, Gichira, Wanjau & Mug'atu (2015), collected data by means of a self – administered, semi structured questionnaire completed by owner/mangers of agro processing SMEs. A total of 111 questionnaires were sent out and 97 usable questionnaires were received giving a response rate of 87.3% which was considered to be very good.

Data analysis was conducted in two phases, measurement outer model estimation and structural, inner model estimation. Based on their findings, they concluded that, proactiveness is a major predictor of firm performance of agro processing SMEs in Kenya in terms of employee growth and profitability. These findings extend empirical studies by showing that proactiveness has positive effects on firm performance.

Oni (2012) carried out a study on the relevance of entrepreneurial proactiveness on business performance using Nigerian companies experience. Structured questionnaires were administered to senior managers at the headquarters of the sampled companies. The entrepreneurial proactiveness was categorized as high and low levels in order to explore the degree of use made to performance indicators. The findings showed that the enterprise on high entrepreneurial proactiveness responded positively to performance measures with consistent increase in size and employment of qualified and competent personnel. The researcher concluded that there is a significant correlation between performance attributes and entrepreneurial proactiveness indicators.

Building on these findings this study needs to test the relationship between proactiveness and SME performance in Rivers and Bayelsa states environment and therefore propose the hypotheses as follows:

H₀₁: Proactiveness does not significantly relate with growth of small and medium enterprises in Rivers and Bayelsa states.

H₀₂: Proactiveness does not significantly relate with customer satisfaction of small and medium enterprises in Rivers and Bayelsa states.

H₀₃: Proactiveness does not significantly relate with social performance of small and medium enterprises in Rivers and Bayelsa states.

III. METHODOLOGY

A cross-sectional survey method was adopted in this study in the generation of data. 360 SMEs retrieved from Business List (www.businesslist.com.ng) with operational base in Rivers and Bayelsa states made up the population of the study. The choice of Business List website is because companies on this website are categorised into location, nature of business, number of employees and estimated net worth of the firm. This matched our search for selection of small and medium enterprises. The SMEs were represented by the decision makers (chief executive officers, executive directors, directors or senior managers) in the organisation who offered valuable and meaningful information to achieve the purpose of the study. A sample size of 186 SMEs was derived using the Krejcie & Morgan (1970) table. Descriptive statistics and Pearson Product Moment Correlation Coefficient were used for statistical analysis with the aid of SPSS version 22.

IV. DATA ANALYSIS AND RESULTS

H_{01} : Proactiveness does not significantly relate with growth of small and medium enterprises in Rivers and Bayelsa states.

Table 1: Correlation Analysis Showing the Relationship Between Proactiveness and Growth

Variables	Statistics	Proactiveness	Growth
	Pearson Correlation	1.000	0.927**
	Sig (2-tailed)		0.000
	N	160	160
	Pearson Correlation	0.927	1.000
	Sig (2-tailed)	0.000	
	N	160	160

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

Source: SPSS Output / Research Desk, 2020

From table 1, the associated p -value of the relationship between proactiveness and growth of small and medium enterprises was revealed to be significant (where $p = 0.000$) which is less than 0.05. The evidence corresponds with the high Pearson correlation coefficient ($r = 0.927$) indicating that proactiveness is a significant factor and has a high influence on growth in operation of small and medium enterprises effort to enhance their performance.

H_{02} : Proactiveness does not significantly relate with customer satisfaction of small and medium enterprises in Rivers and Bayelsa states.

Table 2: Correlation Analysis Showing the Relationship Between Proactiveness and Customer Satisfaction

Variables	Statistics	Proactiveness	Customer Satisfaction
	Pearson Correlation	1.000	0.969**
	Sig (2-tailed)		0.000
	N	160	160
	Pearson Correlation	0.969	1.000
	Sig (2-tailed)	0.000	
	N	160	160

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

Source: SPSS Output / Research Desk, 2020

From table 2, the associated p -value of the relationship between proactiveness and customer satisfaction of small and medium enterprises was revealed to be significant (where $p = 0.000$) which is less than 0.05. The evidence corresponds with the high Pearson correlation coefficient ($r = 0.969$) indicating that proactiveness is a

significant factor and has a high influence on customer satisfaction in operation of small and medium enterprises effort to enhance their performance.

H₀₃: Proactiveness does not significantly relate with social performance of small and medium enterprises in Rivers and Bayelsa states.

Table 3: Correlation Analysis Showing the Relationship Between Proactiveness and Social Performance

Variables	Statistics	Proactiveness	Social Performance
	Pearson Correlation	1.000	0.960**
	Sig (2-tailed)		0.000
	N	160	160
	Pearson Correlation	0.960	1.000
	Sig (2-tailed)	0.000	
	N	160	160

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

Source: SPSS Output / Research Desk, 2020

From table 3, the associated *p*-value of the relationship between proactiveness and social performance of small and medium enterprises was revealed to be significant (where $p = 0.000$) which is less than 0.05. The evidence corresponds with the high Pearson correlation coefficient ($r = 0.960$) indicating that proactiveness is a significant factor and has a high influence on social performance of small and medium enterprises.

V. DISCUSSION OF FINDINGS

Our study revealed that SMEs in Rivers and Bayelsa states consistently look for new business opportunities while working to find new business or markets to target. The SMEs marketing efforts try to lead customers rather than respond to them. We also observed that SMEs in Rivers and Bayelsa states incorporate solutions to unarticulated customers' needs in their products and services while trying to continuously discover additional needs of customers which they are unaware of. All these led to improved performance of the SMEs through customer satisfaction, increase in sales and absence of legal battle with customers, regulatory agencies and employees. Our findings agree with Wambogu, *et al* (2015) study of relationship between proactiveness and performance of small and medium agro-processing enterprises in Kenya, where they concluded that proactiveness is a major predictor of firm performance of agro processing SMEs. Our finding is also in agreement with Oni (2012) study on the relevance of entrepreneurial proactiveness on business performance of SMEs in Nigeria where they concluded that there is a significant correlation between performance attributes and entrepreneurial proactiveness indicators. Our study has identified that proactiveness has a positive and significant relationship with performance of SMEs in Rivers and Bayelsa states.

VI. CONCLUSION AND RECOMMENDATIONS

The study revealed that there is a positive and significant relationship between proactiveness and performance of small and medium enterprises in Rivers and Bayelsa states. We therefore conclude that Incorporation of solutions to unarticulated customer needs in SMEs products and services improved their performances. A well organised marketing effort that led customers rather than respond to them improved the sales and customer satisfaction of the SMEs. Discovery of additional needs of customers of which was unknown to them led to high retention rate of old and new customers and increased sales thereby improving performance of SMEs in Rivers and Bayelsa states of Nigeria.

The following recommendations were made:

- 1) SMEs in Nigeria should take advantage of our study outcome and apply proactiveness variables for the growth of their firms.

- 2) SMEs in Nigeria should adopt social performance as a measure to curb restiveness in their various locations of operation.
- 3) We recommend increased financial support from all financial institutions in Nigeria for SMEs. Banks and other financial institutions in Nigeria should increase their support to SMEs in order to stimulate activities in the non-oil sector of the economy.

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