

## RELEVANCE OF ENTREPRENEURIAL PROACTIVENESS ON BUSINESS PERFORMANCE: NIGERIAN COMPANIES EXPERIENCE

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### **ABSTRACT**

*The rapid changes in technological, social, economic and political trends sometimes result in improving entrepreneurial performance. An enterprise seems relevant to the society when it unveils its entrepreneurial proactiveness toward achieving manageable levels of performance. More than two decades now, Nigeria has been on the path to revolutionizing her entrepreneurship despite her depressed economy. This paper investigates the existing relationship between entrepreneurial proactiveness characteristics and performance by employing data randomly drawn from selected enterprises based on size classification and performance measures methodology involved the use of structured questionnaire. Questions on performance came from items such as market shares, sales volumes, product or service quality, productivity and so on, structured questionnaire was used to extract information from the respondents, so the companies were randomly selected from the Nigeria Stock Exchange handbook and Corporate Affairs Commission book of registered companies. Copies of the questionnaire were administered to senior managers. 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. Conclusively, the enterprises performance was found to be a function of a wider based entrepreneurial proactiveness. Based on this, companies should embrace entrepreneurial strategies as part of the steps for improving performance, operations involving entrepreneurial concerns in order to reduce wastes among others.*

**Key words:** Proactiveness, Alertness, Performance.

## **Introduction**

History shows that there is persistent rate of industrial growth in human consumption and innovation worldwide. Nigeria's economic situation demands ever pressing needs of finding out the performance level of her enterprises. This will relate the entrepreneurial proactiveness to indicators to measure performance. Entrepreneurship concept dwells on capacity building which stresses value creation by bringing together unique package of resources to exploit an opportunity (Arowomole (2002), Oni(2006) and Oni and Maiwada (2009) Stevenson, 1989).

Olagunju (2004) opines that entrepreneurship is an undertaking in which one is involved in the test of creating and managing an enterprise for a purpose. The purpose as further may be personal, social or developmental. Again entrepreneurial approach tends to be accomplished with an organizational context. Thus entrepreneurship is not only associated with small business start-up, it can occur in organizations of all sizes and types. Morris and Pitt (1995), Oni and Olaleye (2005) submit that most small businesses are not particularly entrepreneurial when their activities are genuinely appraised. Some large but very aggressive companies appear more entrepreneurial when their technological innovations continue to improve performance (Arowomole, (2002), Peters, (1988) and Waterman (1987). Whatever the size of a company, agreeing with pressing consumer needs could be a function of entrepreneurial proactiveness.

From the foregoing conception of entrepreneurship , its development could be construed as the drive to boost entrepreneurship in the country

take measures to create a conducive environment where business ideas conceived by her citizens can be translated into reality through establishment of enterprises, such government could be said to be involved in entrepreneurship development. This means entrepreneurship development requires deliberate effort both by government and individuals. Unlike the developed economy, Nigerian companies seem to have reacted very low entrepreneurial concerns as some are finding it difficult to improve and stabilize performance negatively due to insufficient funds to carry out investment for product processing and services. Oni and Adebola (2007) This informed the study in finding out how entrepreneurial proactiveness as strategy has influenced the sustenance of companies' performance. The indicators of entrepreneurial proactiveness are viewed along that of the performance measure.

### ***Theoretical review***

Osaze (2003), defines proactivity as defining your goals and your future and arriving there as planned. Proactivity is a state of mind and the will, largely driven by ones consciousness, to sustain a vision, to fulfill a mission, to attain a challenging goal and to achieve a define objective. It is envisioning a future towards which one device the strategic parameters for influencing, impacting and recreating the environment within which to operate in line with that vision. It is a determination to excel in one's own chosen field. It is a determination to pursue and attain one's own goal largely defined by one. Entrepreneurial proactiveness can also be seen as alertness of the company. Alvearez and Barney (2002) submit that entrepreneurial proactiveness is the ability of the firm to predict where products/services do not exist or have become unsuspected valuable to

customers and where new procedures of manufacturing are unknown to others become feasible. Kirzner (1997) supports this new and captures it as “flashes of superior insight “. By extension, proactiveness is assumed when different companies have insights into the value of resources that other companies do not have. It is also the recognition of the company’s opportunity. In other words, entrepreneurial proactiveness depends on the attractiveness of an opportunity and ability of the firm to grasp once it is perceived (Kerzner (1997), Arowomole(2003) Entrepreneurial proactiveness as important as it is in measuring organizational performance, it is not sufficient for entrepreneurial proactiveness should be linked to knowledge for coordinating inputs at below market value and converting such inputs into output for ensuring a high performance. This makes the proactive company to focus on the past, the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its own proactive future Osaze (2003).

Coordinating knowledge in different forms to change resource allocation for profitability is an entrepreneurial. Proactiveness, knowledge and action interchange , thus the company activity for profit is practice which usually associated with size (Casson 1999 Miller and Friesen 1982 and Arowomole, (2002) knowledge and action assist entrepreneurial proactiveness to be consciously and systematically detect and help eliminate error when determining the previous value of resource against the current ones. Most companies do not sometime understand how they experience superior foresight but they do know that entrepreneurial proactiveness is simulated by using performance measures and other relevant factors such as how to invest, type of employees to hire, and the

like. Entrepreneurial proactiveness can also be related to innovativeness and risk assumption (Pitt et al 1997). Innovativeness prepares business around a unique product, service or process. This means that not only small company each innovates; indeed management of innovation is largely pronounced in the scale of operations across all business boundaries. Oni (2002) opines that Risk taking is willingness to take up opportunities that may be either profits or losses. Willingness to assume calculated risk is the result of alertness to presume a product/service price guarantee for the future.

A company is entrepreneurial proactive when it searches for market opportunities and experimentation with potential responses to changing environmental trends. This view was shared by Casson, (1999) that management assumes realistic position by creating value, opportunity, recognition and discovering tomorrow's business today. Measuring business performance in the Nigeria business environment is not considered as very important because it largely depends on financial indicators used for stock market valuation. Arowomole (2002) and Thompson and Strickland (1994) opine that stock price alone may not be a good indicator of performance as every performance measure should be related to the market, product/service, economic, labour, business consciousness and enabling environment in general. Advantage or opportunity that a particular company has over the other depends so on the degree to which its proactiveness is controlled.

The study noted that entrepreneurial proactiveness is an area in entrepreneurship that has long divided Nigeria companies since there is no sufficient empirical data/survey relating its significance with company's

performance. Most literature so far stressed more theoretical concept of business than performance.

### ***Research questions***

In view of the problems in drawing relevant performance indicators, nine of them suitable to Nigerian business environment were chosen from the literature (Arowomole 2002). The following research questions were drawn from these indicators.

1. What is the effect of entrepreneurial proactiveness on employees' performance?
2. Do entrepreneurial proactiveness indicators influence companies' performance?
3. Does the size of the company affect entrepreneurial proactiveness?

The above questions make reference to employees competence, business performance and organization size. These questions address specific variables needed to improve performance.

### ***Methodology***

From the literature items concerning entrepreneurial proactiveness were identified in addition to information gathered from the companies via the use of structured questionnaire. This was to ensure clarity and validity of the instrument used. Question on performance came from items such as market shares, Sales volume, product/service quality and productivity. Respondents indicated on a five-point scale from greater degree of increase to lowest degree of decrease.

Out of the 350 companies randomly sampled for this study 324 (92.5%) responded to the questionnaire. The selection of the companies was from the handbook of the Nigeria Stock Exchange (2005) and the book of registered companies (2005) of the Corporate Affairs Commission. The responded companies cut across manufacturing industries to commerce and service. The copies of questionnaire were administered to senior managers of these companies.

**Table 1:** classification responding companies

Type of company	No	Percentage
Automobile and type	22	6.79
Banking	30	9.26
Building material	16	4.94
Chemical and paints	18	5.56
Commerce and service	38	11.73
Conglomerate	12	3.70
Computer and service equipment	22	6.79
Food and beverages	26	8.03
Healthcare	34	10.49
Industrial/ domestic production	20	6.17
Packaging	12	3.70
Petroleum (marketing)	28	8.64
Small scale industries	20	6.17
Textile	26	8.03
Total	324	100.00

Source: Survey 2007

**Table 2:** size of companies based on the number employed

No of employees	No of companies	Percentage
1-200	70	21.61
201-400	58	17.90
401-600	52	16.01
601-800	26	14.20
801-1200	50	15.43
Above 1401	48	14.82
Total	324	100.00

Sources: Survey, 2007

**Table 3:** Companies classified on response questions in percentage

Question on entrepreneurial proactiveness	Yes	%	'No'	%	Total	100
Companies that include in their policies product/ service innovation	150	16.30	174	53.70	324	100
Alertness	128	39.51	196	60.50	324	100
Calculated risk	82	25.31	242	74.69	324	100
Level of confidentiality of policies	224	69.14	100	20.86	324	
Companies that establish unit for monitoring entrepreneurial opportunities	104	32.10	220	57.90	324	100
Companies that establish unit for monitoring entrepreneurial policy	54	16.05	272	83.95	324	100

Source survey 2007

**Table 4:** Response to question by companies

No of companies responding to each question	No
All questions (1-4)	112
Questions 3	76
Questions 2	58
Question 1	78
Total	324

*Source: survey, 2007*

From table 4 no of high entrepreneurial proactiveness = 112

No of low entrepreneurial proactiveness = 212

### ***Research approach***

Questionnaire copies were distributed through mail and research assistants to senior managers at the headquarters of the sampled companies. The managers followed the research instruction by the completing the questionnaire properly. The questionnaire also explained the purpose of the study and full confidentiality of the respondent was guaranteed. Entrepreneurially proactive companies were analyzed on the below profile.

- a. Does the company establish a unit that reviews entrepreneurial policy
- b. Does the company have a policy on entrepreneurship underpinned by innovativeness, alertness, calculated risk and product opportunity?

- c. What form of rate does the company value entrepreneurial as a strategies to improve performance?
- d. Is the policy made confidential or public?

Company's response was based on Linkert scale 1- 4 (1- NO value, 2 Little value, 3-Moderate value, 4 High value).

Organization performance depends on entrepreneurial proactiveness if there is uniqueness in the creation of new product from the available resources (Kirzner 1997). Companies which responded positively to the above four questions were grouped as high entrepreneurial proactive those with less than four categorized under low entrepreneurial proactive (Refer to table 4).

The questionnaire examined also performance measures, size, and employee's competence as they affected company's decision in entrepreneurial programmed table 5, 6 and 7 shows the result.

**Table 5:** Of high entrepreneurial proactiveness (HEP) on low entrepreneurial proactiveness (LEP) in terms of performance.

Performance measure	Group a (HEP) no 112	Group b (LEP) No 212
Market share	55	10
Sales volume	54	12
Product quality	53	13
Introducing new and improved product	49	16
Earning per annum	43	26
Profitability	52	31

Return on investment	50	24
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Source: survey 2007

Note: result based on high value performance measure.

High Entrepreneurial Proactiveness (HEP)	Low Entrepreneurial Proactiveness (LEP)
X 7.17	X 1.45
S 3.86	S 7.10

Spearman rank correlation 0.601

Note; p 0.05

**Table 6:** size as the basic for comparison

Employee size <b>GROUP A</b> (HEP) %	<b>GROUP B</b> (LEP) %
0 – 500 22 19.64	168 79.25
501 – 1000 58 51.79	44 20.75
1001 and above 34 28.57	- -
Total 112 100:00	324 100:00

**Source:** survey, 2007

**Table 7:** Job competence as the basis for comparison

Employee response <b>GROUP A</b> <b>(HEP) %</b>	<b>GROUP B</b> <b>(LEP) %</b>
Have high 102 92.07	34 16.04
Competence 10 8.93	178 83.96
Total 112 100:00	212 100:00

*Source: Survey, 2007*

### **Findings**

Table 3 discusses question on entrepreneurial proactiveness. In the table 46.30% answers ‘Yes’ and 53.70% says ‘No’ to innovation respectively, alertness 39.651% ‘Yes’ and 60.50% ‘No’, calculated risk 25.31% ‘Yes’ and 74.69% ‘No’ 63.14% of companies share the view that level of confidentiality on entrepreneurial policies is essential while 30.86% ‘No’ 32.10% the firms consider putting high priority on entrepreneurial opportunities improves entrepreneurial proactiveness while 67.60% rejects this statement 16.05% established units for monitoring entrepreneurial policy whereas 83.95% does not, table 7 shows that only 112 companies respond to all question for entrepreneurial proactiveness, 56 companies to question 3, 58 companies to question 2, and 98 companies to question 1 making a total of 212 (HEP = 112 LEP = 212).

**Table 6:** explains the first research question – effect of entrepreneurial proactiveness on performance measures the table compares the total performance between high entrepreneurial proactiveness companies and their low entrepreneurial proactiveness counterparts. It is noted in the table that high entrepreneurial companies perform better when performance

indicators are compared the Spearman rank order correlation coefficient shows, there is significant relationship between the performance measure and entrepreneurial proactiveness. However, performance indicators are highly considered by high entrepreneurial proactive companies.

The second question assessed the relationship of the 6, high percentage rate of companies having large size falls under high entrepreneurial proactiveness and the reverse is for low entrepreneurial proactiveness counterparts. Table 7 presents the result of the effect of job competence in companies that are entrepreneurially concerned. It is observed that high competent employees are more likely to have entrepreneurial strategy than low competent employees.

### **Conclusion**

Some companies decided in the past two decades to focus their strategic interest on entrepreneurial proactive profile. Few among the companies did perform to expectation considering their innovativeness, alertness and calculated risk approaches. Despite the importance of entrepreneurial concern in accomplishing companies goals and visions. Business owners and shareholders still uphold that companies depend on social responsibility and influence in the larger society.

This result contradicts business perception. It has been established in the study that across all the sectors high entrepreneurial proactiveness companies performs better than the low entrepreneurial counterparts.

In addition high competence on the companies is more likely to adopt entrepreneurial strategies. It has also been noted that large size companies incline more to entrepreneurial profile. The reason for this would not be

divorced from resource constraints of some companies due to size. It appears riskier to invest in company when the size is small.

Since there is significant correlation between performance attribute and entrepreneurial proactiveness indicators, it is assumed that no causal inference exists. Successful companies could afford long-term entrepreneurial strategies.

### ***Recommendation***

Observing the following could assist by making some inference about entrepreneurial strategies and organizational performance.

- a. To attain a high level of efficiency companies should maximize the performance measures and at the same time be socially responsible by concentrating on entrepreneurial proactiveness.
- b. Operations involving entrepreneurial concerns could reduce producer or service waste.
- c. Companies should consider entrepreneurial strategies as part of steps for improving performance.

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