

Pro-Activeness and Survival of Small and Medium Scale Enterprises in Nigeria

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Abstract

The study investigated the relationship between Pro-activeness and the Survival of small and medium scale enterprises (SMEs) in Port Harcourt. The cross sectional survey method was adopted. A sample size of eighty was drawn from a population of one hundred employees using the Taro Yamane formula. The questionnaire was the main instrument for data collection and data obtained was analyzed using the SPSS. Spearman's rank correlation coefficient was used to test the hypotheses. Our findings revealed a strong and positive relationship between pro-activeness and the measures of survival of small and medium scale enterprises. We concluded that pro-activeness significantly and proportionately predict the organizational performance and success level of SMEs. We recommended that firms should undertake more pro-active steps and enterprising activities. Managers should encourage pro-activeness, tolerate mistakes and reward new ideas that contribute to innovation and organizational survival. Government ought to as matter of criticality help planned business visionaries to have admittance to the public purse to back them up. This could enable them implement their pro-active ideas.

Keywords: Pro-activeness, Survival, Enterprises, Success.

Introduction

Managers have responsibility to carry-out managerial functions of strategizing and obtaining the necessary inputs which they put together to successfully execute operation. Organizational survival refers to the ability of a firm to realize and actualize its outcome and expectations in line with its mission, goals and objectives despite the prevailing environmental conditions. Organizational survival is defined through financial and non-financial elements such as profitability, return on investment, products and services quality, owners satisfaction's, customer's satisfaction, employee's satisfaction etc. (Simpson et al.,2007). Organizational survival is concerned with organizations members pulling their efforts towards achieving organizational goals which has so many potential benefits, including the following: economies of scale, increased profitability, sales increment and Adaptability, hiring the best employees, increased prestige and employee satisfaction etc.

Many studies revealed that entrepreneurial attitude such as proactiveness have positive and significant impact on organizational survival. Similarly, Taylor (2013) found that SMEs managers with high entrepreneurial behavior are more likely to achieve higher performance and growth irrespective of the business environment in which they operate. Also According to McGrath and McMillian (2000) that Entrepreneurial Attitude gives an organizations competitive advantage in an existing or new market because it enable them to always discover, create, and exploit opportunities regularly, well ahead of their competitors.

Small and Medium Enterprises (SMEs) have continued to be recognized as the bedrock and powerful engines room for any nation's growth and development of most economies of the world (Ariyo, 2008). Conversely, the SMEs sub-sector has continued to face various challenges that have militated against their success. The dynamic nature of the SMEs sub-sector makes it vulnerable to high mortality rate caused by high uncertainty and competitiveness in the environment. However, prior studies revealed that over the past decades, the Government of Nigeria has made many efforts in boosting this sector. It has established an institutional framework consisting of industry support agencies, formulations of supporting policies and assistance from financial institutions.

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These had led to the creation of Small and Medium Enterprises Development Agency (SMEDAN), National Enterprises Development Programme (NEDEP), Micro, Small and Medium Enterprises (MSMEs) national and state council, funding access from the central bank and development banks: such as (Commercial Banks, Micro-Finance Bank and Industrial Bank). According to Okpala, (2000); Fatoki, and Odeyemi (2010) SMEs in the developing countries, faces two major challenges: Internal factors such as lack of entrepreneurial competencies, management skill, commitment, resources, good strategy choice and External factors, including competitors, culture, technology, infrastructure, policy inconsistencies in Government and official bureaucracy. In providing answers to these challenges, Mcgrath and McMillian, (2002), are of the opinion that organization using conventional strategies are over-run and out-run by entrepreneurial competitors because tools, training and business models that worked for businesses before are no longer yielding positive results again. Therefore, it is needful for entrepreneurial organizations and managers to think outside of the box, by being non-conventional in their thinking process, identifying new business opportunities and adapt to the changes and uncertainties in the business environment. This calls for pro-activeness. In order to ensure organizational survival, pro-activeness must be incorporated into the operation of the firms.

Over the past decade, a great deal has been written about pro-activeness and organizational survival. Despite the increase in prior publications and studies, the extent to which this entrepreneurial behavior has influenced organizational survival has not been sufficiently clarified (Zahra and Covin, 1995). Most of the studies in the entrepreneurship literature tend to focus in SMEs in America and other developed countries with very little studies in respect to developing countries such as Nigeria. Furthermore, previous studies focused on established corporate organizations and medium-large organizations, leaving out SMEs which is considered to be a very powerful means of national development. To bridge this existing gap in literature, this study examines the relationship between pro-activeness and survival of small and medium scale enterprises in Nigeria.

Literature Review

Previous researchers on entrepreneurial orientation have described pro-activeness as entrepreneurial behaviors where organization step ahead of rival competitors, being abreast of customers' demands and market trends by continuously scanning, monitoring the trends and at the same time, taking entrepreneurial actions, (Lumpkin and Dess, 2001). Pro-activeness is a strategy to achieve business success of an organization characterized by confidently seeking for opportunities where they introduce new products, services or market ahead of other competitors and acting in anticipation of future change in demand and emerging uncertainty in the firm's internal and external environment, (Hughes and Morgan, 2007). Thus, it refers to organization attitude that facilitates the introduction of new products, services, understanding customers' demands and reacting to the market ahead of competitors because of their constant monitoring, alertness and identification of customer's needs and current environmental trends. Pro-activeness involves anticipatory, change-oriented and self-initiated behavior in the market place by managers where they exhibit boldness, competitive aggressiveness and adventurous characteristics relative to rival competitors (Antoncic and Hisrich, 2001). In the view of Okpara (2009), there are different levels to which individuals and organizations are proactive. He stated further that there are proactive and reactive firms. Pro-active firms are firms that act in advance of a future situations or happenings, rather than just reacting to happenings in the market. This implies taking control and making things happen; creating change in preparation prior to occurrences of any business uncertainty. Furthermore, Ventakarama (1989) refers to pro-activeness as the ability and willingness to seek new opportunities that may or may not be related to existing line of operation or market. In other words, entrepreneurial firms shape their environment through the introduction of new products, services, new markets, ahead of their competitors. **From the foregoing, the working definition of pro-activeness in this paper refers to the extent to which an organization looks beyond the present and seeks for ways to solve anticipated organization's problems or utilize organization's potential opportunities.**

Maheshwari (1980) argued that the concept of Organizational survival is a multiple dimensional concept with no common definition, making it elusive that there is no one single way of defining organizational survival. This fact may be due to the many criteria used to measure organizational survival and the many definitions available for the concept. He further defined success as the ability of an organization to achieve an acceptable outputs and expectations which are in line with the organizational goals and objectives. Evidence found in the entrepreneurial, management and business literatures confirmed that organizational survival and organizational performance are very narrowly connected (Perren, 2000; Jennings and Beaver, 1993).

The concepts of success and performance are usually used as synonyms for each other or interchangeably. Previous analyses in the entrepreneurial literature used various terms to describe organizational survival such as business performance, entrepreneurial success and owner's success goal etc. Man et al., (2002) therefore argued that an organization is considered successful when it realizes an optimal level of performance in respect of profitability, growth and development to the satisfaction of the owner. Also, according to De-Smet and Schaninger (2006), success can be defined as an organizational ability to operate effectively and efficiently, coping adequately and being able to withstand the environmental turbulences by being flexible and adapting to change which may result to growth. Imoisili (1978) defined Organizational survival as organization's ability to achieve sustainable growth and realization of its goals which leads to eventual superior performance. Similarly, Jennings and Beavers (1995) are of the view that the most commonly adopted description of organizational survival has much to do with financial viability and growth with sufficient profits than other factors such as owner's satisfaction, employee satisfaction etc. Simpson et al., (2007) maintained that organizational survival is a multi-dimensional concept which has no single significant element as its measures of analysis. He further stated that most managers and entrepreneurial literatures wrongly measure the success of small businesses based on the methods and procedures developed for large companies that have clear, precise, financial goals and objectives. Simpson et al., (2004) noted that there are two major indicators of success: the financial and non-financial measures. The financial performance measures of organizational survival includes: profitability, returns on capital, productivity of assets, sales margins, net operating margin etc. while the non-financial indicators are the degree of employee satisfaction, ability to retain management talent, the degree of customer satisfaction, owners' satisfaction, superior products and services etc. On the other hand, determination of the right criteria is paramount in getting the accurate result. According to Masuo *et al* (2001) to avoid errors in determining the measures, the selections of appropriate measure should depend on the type or nature of the organization under review, the various environmental factors, cultures, management styles, capital availability, technology and goal of the organization should be considered. This argument is based on the fact that every organization has its different characteristics, goals and constituencies. Paige and Littrell (2002) assert that some scholars include subjective (intrinsic) criteria such as freedom and independence, being one's own boss, controlling one's own future; while the objective (extrinsic) factors such as increased profitability and wealth as the criteria for organizational survival. Cameron (1978) suggested that there are other criteria that could be used in the measurement of organizational survival such as effectiveness and efficiency. An organization can only survive when it is able to adapt to the environment and satisfy its customers. For the purpose of this study, **Organizational survival will be defined as the ability of a firm to realize and actualize its outcome and expectations in line with its mission, goals and objectives despite the prevailing environmental conditions.** From the foregoing the following hypotheses were derived.

Ho₁: There is no significant relationship between pro-activeness and customer satisfaction of SMEs in Port Harcourt.

Ho₂: There is no significant relationship between pro-activeness and Adaptability of SMEs in Port Harcourt.

Research Methodology

The study adopted a cross-sectional survey of the quasi-experimental design. This method is adopted because the respondents who are in their private business are exposed to complex relationships which are not subject to manipulation (Baridam, 2008). This study aimed at examining the relationship between Pro-activeness and organizational survival of SMEs in Rivers State. The population for this study comprises of all the Small and Medium Scale Enterprises in Rivers State, registered with the Rivers State Ministry of Trade and Commerce. However, for easy accessibility, the accessible population consists of 100 respondents, (owners-partners, managers and key officers) from the 20 selected SMEs within Port Harcourt in Rivers State, using purposive sampling technique. It is assumed that responses obtained from the sample respondent would be representative of the opinions of all SMEs operating in Rivers State. The respondents are in position to express their opinion about the questions relating to the research instrument. The sampling procedure adopted in this study is the Simple random sampling techniques. This approach is to enable each member of the population to have an equal chance of being selected. A sample size of eighty (80) owners-partners, managers and key officers was drawn from the twenty (20) selected SMEs under review. The sample size was determined using the sample size determination formula of Taro Yamene at 0.05 level of significance (Baridam, 2001). Data was collected through questionnaire.

Pro-activeness (Independent Variable) was measured in five items. The questionnaire was adapted from the various 22 items of entrepreneurial orientation scale of Covin and Slevin (1989). The dependent variable: (Organizational survival) was measured with Adaptability and customer satisfaction.

Five items each were used in measuring the variables on the 5 point Likert scale of measurement: were 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree. The questionnaire for the dependent variable (organizational survival) was adapted from the various items of Organization Success Scale (OSS) developed by (Simon et al., 2011). The measurement instrument was subjected to Cronbach Alpha test of reliability which gave a high reliability alpha of above 0.7. According to Nunnally, (1978) an alpha output of 0.7 and above ensure internal consistency and reliability. The following Cronbach Alpha was obtained: Pro-activeness(93) Customer Satisfaction (92) Adaptability (95). To empirically evaluate the relationship between Pro-activeness and the organizational survival, the Spearman's rank order correlation coefficient (Rho) was employed.

Research Results and Findings

Table 1. Correlation Output of pro-activeness and customer satisfaction of SMEs in Rivers State.

Correlations			PRO- ACTIVENES S	CUSTOMER SATISFACTIO N
Spearman's rho	PRO-ACTIVENESS	Correlation Coefficient	1.000	.990**
		Sig. (2-tailed)	.	.000
		N	80	80
	CUSTOMER SATISFACTION	Correlation Coefficient	.990**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

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

Source: Statistical Package for Social Sciences (version 22) Extract.

Hypothesis Two

Ho₂: There is no significant relationship between pro-activeness and Adaptability of SMEs in Rivers State.

Table 2 Correlation Output of Pro-activeness and Adaptability of SMEs in Rivers State.

Correlations			PRO- ACTIVENES S	ADAPTABI LITY
Spearman's rho	PRO ACTIVENESS	Correlation Coefficient	1.000	.976**
		Sig. (2-tailed)	.	.000
		N	80	80
	ADAPTABILITY	Correlation Coefficient	.976**	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

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

Source: Statistical Package for Social Sciences (version 22) Extract.

Hypothesis One: Relationship between Pro-activeness and Customer Satisfaction- The Table 1 above illustrates the analysis for the association between Pro-activeness and customer satisfaction of SMEs in Rivers State where Rho = .990 and p = 0.000. The finding shows a very positive and significant association between both variables. This means that increase in Pro-activeness is associated with increase in Customer Satisfaction.

Hypothesis Two: Relationship between Pro-activeness and Adaptability- Table 2 above illustrates the analysis for the association between Pro-activeness and Adaptability of SMEs in Rivers State where Rho = .976 and p = 0.000. The findings show a very positive and significant association between both variables.

There is a significant relationship between Pro-activeness and Adaptability of SMEs in Port Harcourt. This implies that increase in Pro-activeness is associated with increase in Adaptability.

Discussion of Findings

In relation to hypothesis one, pro-activeness was found to be positively related to customer service. This finding confirms an earlier report by Antoncic and Hisrich, (2001) who noted that pro-activeness involves anticipatory, change-oriented and self-initiated behaviour in the market place by managers where they exhibit boldness, competitive aggressiveness and adventurous characteristics relative to rival competitors. Customers are more likely to be satisfied when entrepreneurs engage in proactive meeting of expectations.

Results on hypothesis two, shows there is a significant positive relationship between pro-activeness and adaptability. Our finding supports earlier report by Ventakarama (1989) who referred to pro-activeness as the ability and willingness to seek new opportunities that may or may not be related to existing line of operation or market. In seeking new opportunities, entrepreneurs must adapt to both internal and external environmental changes and should proactively make provisions for such inevitable changes.

Conclusion and Recommendations

The paper concludes that there is significant positive relationship between pro-activeness and organizational survival. We therefore recommend that entrepreneurs should anticipate customer needs and take positive steps to satisfy it if they want to survive and make good profits. They should be responsive to customer complaints and be change-oriented.

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