

Impact of influencing factors on the choice of entrepreneurial process: Perspective of Small Business owners in Nigeria

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ABSTRACT

This paper examined the impact of the influencing factors on the choice of entrepreneurship process from perspective of small business owners in Nigeria. This study was carried out in Lagos state, using multi-stage sampling technique with a sample of Two hundred (200) questionnaire administered and distributed business owners which comprised of eighty (80) computer accessories, eleven (21) new computer dealers, forty nine (49) computer and handset repair and fifty (50) comprised of others – software and other computer materials . One hundred and Fifty (150) questionnaire was found useful for the purpose of the study representing 75% of total questionnaire distributed. Data collected was analyse using frequency and simple percentage while regression analysis was used to test the formulated hypothesis. Findings revealed that role model influence, environmental, nature of business, urgent need for income, financial capability and service to humanity had significant ($p < 0.05$) impact on entrepreneurial process. Multiple regression results showed that $R^2 = 0.328$ which implies that 33% of the variability of entrepreneurial process were explained by these factors, while the remaining 67% was largely due to other factors outside the regression analysis. The paper concluded that small business owners depend heavily on influencing factors before embarking on entrepreneurial process.).

Keywords: *Entrepreneurship, Entrepreneurial process, Performance, Nigeria Small businesses (SBs)*

1. INTRODUCTION

Small business provides financial opportunity and a chance to develop wealth. It is a place where creative, motivated individuals can use their talents and expertise to the fullest, because it provides satisfying careers and job opportunities and it is also the back bone of the market economy of the world (Ndechukwu, 2001). Entrepreneurship is what makes a small business successful. Entrepreneurship occurs when an individual develops a new venture, a new approach to an old business or idea, or a unique way of giving the market place a product or service by using resources in a new way under conditions of risk (Tijani-Alawiye, 2004). Small business triumphs and entrepreneurship are closely related to it. It is difficult to separate them Morris, (1998)

Small businesses accounted for over 52 percent of workers in the United States and contribute greatly to the US economy according to Small Business Administration (SBA) report, (2012). The situation in Africa especially here in Nigeria is different where Small Business operators find it difficult to survive Ameashi, (2007). Some of the reasons for the failure of Small Businesses are lack of ability to identifying business opportunity; lack of ability to harness the necessary resources; and lack of ability and willingness to initiate and sustain appropriate actions towards the actualization of business objectives among others (Ndechukwu, 2001, McOliver, 1998). According to the Central Bank of Nigeria (CBN) in the Punch Newspaper of Friday 6th June, 2014, despite the report of National Bureau of Statistics that 1.2million jobs were created in 2013, about 80% of Nigeria Youths are unemployed (Punch Newspaper, 2014).

Entrepreneurial process is the division of entrepreneurship activities into stages or steps that enhance a logical progression and coercion which can be easily applied to any business (Morris, Kuratko and Schindehutte, 2001).entrepreneurial process as a development cycle of an entrepreneur focusing specifically from the start-up of the entrepreneur business through to a key juncture when the entrepreneur sells a portion of his business. The effect of starting a venture using process approach cannot be over emphasized because of the sustainability of the business and its management. (Neary, 2007). Many entrepreneurs today find themselves in the venture due to the fact that it works for others therefore it must also work for them, without searching, planning or using any form of process. To become an entrepreneur is not something to come by easily Suleiman, (2010).

According to Adejumo, (2001), entrepreneurship entry is a mentality to take chance or calculated risk. Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people (Adejumo, 2001). Morris et al, (2001) conceptualizing entrepreneurship as a process and opines that entrepreneurial events are easier to understand, and likely to achieve better results when approached as a process. Although entrepreneurship is not a new phenomenon, attempts to study it in a systematic manner are fairly recent. Scholars continue to debate on fundamentals issues as the definition of entrepreneurship, the nature of the

entrepreneur, the relevant unit of analysis when studying entrepreneurship, the environmental conditions that give rise to entrepreneurship (Amit, Glosten and Muller, 1993).

Entrepreneurs differ concerning the factors that inspire or hinder them to 'climb the entrepreneurial ladder' due to the fact that they saw an opportunity, because out of necessity, or because of spur (Ingrid Verheul, Roy Thurik, Jolanda Hessels and Peter van der Zwan, 2010). However, certain characteristic has been described to be one of the influencing factors for entrepreneurial process. The extent to which influencing factors has influence the choice of Entrepreneurial process in Nigeria is the main thrust of this study.

Statement of the Problem

Evidence from the literature shows that education a key role in relation to entrepreneurship motivational factors, recent empirical evidences provide insight into how entrepreneurship-specific education may affect an individual's engagement in entrepreneurship. Entrepreneurship education can be an important instrument for fostering opportunity-based entrepreneurship. In addition, entrepreneurship education is also found to reduce the odds of failure for opportunity motivated entrepreneurs (Ingrid et al, 2010; Van der Zwan *et al.*, 2010).

Previous studies in entrepreneurship have either focused on the stable characteristics of the entrepreneur or the impact of the environment on the venture performance (Suleiman, 2010, Tijani-Alawiye, 2004)). Few studies have actually tried to model and understand the impact of both entrepreneurial behavior and the environmental context (Delmar, and Shane, 2004). There are few literatures on the application of entrepreneurial process but no attempt was made to determine business performance, especially in Nigeria. However this paper aims to examine the impact of the influencing factors on choice of entrepreneurship process from the perspective of small business owners in Nigeria.

Research Hypothesis

The hypotheses for this study are stated in the null form as follows:

H₀: Influencing factors have no significant impact on Entrepreneurial process in Nigeria.

2. Literature Review and conceptual Clarification

Entrepreneurial process is all cognitive and behavioral steps from the initial conception of a rough business idea, or first behavior towards the realization of a new business activity, until the process is either terminated or has lead to an up and running business venture with regular sales (Klofsten, 1992; Shaver, Carter, Gartner, & Reynolds, 2001). Some key elements of the discovery about entrepreneurial process are:

- Ideas about value creation, i.e., how and for whom value is to be created in terms of product, market, production and organization (Alvarez & Barney, 2004).
- Ideas about value appropriation, i.e., how a significant share of the created value is to be appropriated by the emerging firm rather than by customers, competitors or the Government (Amit & Zott, 2001; de Koning, 1999; McGrath, 2002).
- The development of commitment to and identification with the start-up on the part of key actors (Klofsten, 1992).
- Activities such as planning, making projections, and the gathering and analysis of information, to the extent these activities concern the development and evaluation of ideas rather than their (attempted) realization.

Merriam-Webster (1999) defines a framework as 'a basic concept structure or ideas'. It is a logical and systematic way to organize phenomena. It serves to identify the relevant variables or components that constitute some subject area of interest, while also bringing order or structure to these components in terms of the way in which they relate to one another. A framework provides the manager with a 'blueprint' that converts abstraction into order, allows prioritization of variables or issues, and helps identify relationships. It provides the scholar with the foundation upon which to hypothesize, develop models and build and test theory.

Frameworks can be explanatory or predictive; they can be descriptive or normative. At their best, they have implications for important organizational outcomes (Miller, 1996; Sanchez, 1993). They are conceptual in nature, although it is possible to treat a framework as a theory provided that it is subsequently subjected to rigorous empirical testing (Doty and Gluk, 1994).

The Entrepreneurial Process

Conceptualizing entrepreneurship as a process represents a major advance. Entrepreneurial events are easier to understand, and likely to achieve better results when approached as a process (Morris et al, 2001). The benefits of a process approach are many. The first, and most obvious, is that the entrepreneurial effort can be broken down into specific stages, or steps. Although these stages will tend to overlap, and one may periodically have to revisit an earlier stage, they tend to evolve in a logical progression. Further, approached as a process, entrepreneurship is not some chance event pursued only by a selected few, but a manageable event that can be pursued by anyone. In addition, the entrepreneurial process can be applied in any organisational context, from the start-up venture to the established corporation to the public enterprise. Moreover, processes are sustainable, meaning that entrepreneurship can be ongoing or continuous at the individual or organisational levels.

Entrepreneurial process consists of six stages:

- Identify an opportunity,
- Develop the concept,
- Determine the required resources,
- Acquire the necessary resources,
- Implement and manage, and
- Harvesting the venture.

The first two stages according to Morris, et al (2001), represent the ideation phase of the process. Entrepreneur is attempting to identify pattern or forces in the environment that represent profit potential, and to develop a creative means of capitalizing on that potential. The remaining stages are concerned with implementation.

3. Methodology

The paper examined the impact of influencing factors on the choice of entrepreneurial process adopted by small business owners in Nigeria. The purpose of this study is to determine the extent to which influencing factors has greatly impacted on the choice of entrepreneurial process by the small business owners. The population of the study comprises of all small businesses in Lagos. The researcher focused on ICT sub-sector of Small business because that was the one of the sectors where creativity ability was in practice. For the purpose of this study Two hundred (200) ICT related business men in Ikeja Lagos was used .They were divided into four categories according to the nature of their businesses. The first category were those who deal in Computer Accessories, the second category comprises of those dealing in the sales of new computer and Handsets, the third category comprised of those who deal in Computer and Hand set repairs while the last and fourth category were those who deal in Computer software and others This is in line with the research work of (Oyelaran, 2010) . Multi-sampling techniques was adopted which comprises of stratified sampling technique and purposive sampling technique to select the sample population. (150) questionnaire was found useful for the purpose of the study representing 75% of total questionnaire distributed to the respondents. The major instrument used in the collection of data for this research work is questionnaire. Data collected was analyse using frequency and simple percentage while regression analysis was used to test the formulated hypothesis.

4. Result and Discussion

Findings showed that the traders were influenced by role model with 4.04 mean score, choice of business with 3.46 mean score, nature of business with 3.86 mean score and need for income with 3.75 mean score. But financial capacity and service to humanity with 2.5 and 2.75 mean score. It showed that 80% of the total sample agreed that role model has greatly influenced their choice of business while 58.75 indicated that environmental circumstances influenced their choice of business. Other influencing factors of entrepreneurs included nature of business (77.39%), urgent need for income (65.6%). However, financial capability of the entrepreneur (37.3%) and service to humanity 40% were not considered as factors influencing the entrepreneur. Using a cut off mean score of 3.00 on the 5 point likert rating scale, only role model ($X = 4.04$), environmental circumstances ($X = 3.46$), nature of business ($X = 3.89$), urgent need for income ($X = 3.75$) were the factors that met the specified criteria as indicated in Table 1 and 2 below.

Table 1 Response on Influencing Factors of an Entrepreneur

S/N	ITEMS	SD	D	U	A	SA	X	Remarks
1.	Role model has greatly influenced the choice of this business	10 (6.7)	6 (4.0)	14 (9.3)	58 (38.7)	62 (41.3)	4.04	Accepted
2.	Your choice of this business was due to environmental circumstances	17 (11.3)	25 (16.7)	20 (13.3)	48 (32.0)	40 (26.7)	3.46	Accepted
3.	The nature of this business and ability to excel was the reason why you select this business	14 (9.3)	4 (2.7)	16 (10.7)	66 (44.0)	50 (33.3)	3.89	Accepted
4.	Urgent need for income lead you to this business	21 (14.0)	20 (13.3)	10 (6.7)	23 (15.5)	76 (50.5)	3.75	Accepted
5.	Your financial capability was the reason why you are in business	66 (44.0)	20 (13.3)	8 (5.3)	35 (23.3)	21 (14.0)	2.50	Rejected

6. Service to humanity was the reason why you venture into this business. 49 (32.7) 25 (16.7) 16 (10.7) 38 (25.3) 22 (14.7) 2.73 Rejected

Source: field survey 2015

TABLE 2: Multiple Regressions showing the impact of Influencing factors on Entrepreneurial Process (Hypothesis 1)

Model	B	Stat. error	Beta	T	Sig. T	R	R ²	F
Constant	-7.829	7.639	-	1.025	.307			
Role model	2.574	1.085	.165	2.373	.019			
Environment	3.402	.951	.260	3.576	.000			
Nature of Business	3.911	1.167	.261	3.350	.001	0.573	0.328	11.652
Urgent need								
For income	1.632	1.187	.141	1.375	.171			
Financial								
Capability	3.938	1.139	.350	3.457	.001			
Service to								
Humanity	-.043	.900	-.004	-.048	.962			

Source: field survey 2015

$$EP = -7.829 + 2.574RM + 3.402EN + 3.911NB + 1.632NB + 3.938FC - 0.043SH$$

$$\text{Std. Error} = (7.639) (1.085) (0.951) (1.167) (1.187) (1.139) (0.900)$$

$$t = (-1.025) (2.373) (3.756) (3.350) (1.375) (3.457) (-0.048)$$

$$R = 0.573, R^2 = 0.328, F = 11.652, \text{sig } F = 0.000$$

Interpretation: Table 2 showed that the influencing factors had significant impact on entrepreneurial process (F = 11.652, P < 0.05). Therefore, the null hypothesis (H₀) is rejected while the alternate hypothesis is accepted. This implies that there is significant impact of influencing factors on entrepreneurial process.

All the identified factors jointly explained about 33% (R² = 0.328) to variation in entrepreneurial process while the remaining 67% unexplained variation was largely due to other variables outside the regression model which are otherwise included in Stochastic error term. There was significant moderately, positive relationship between the influencing factors and entrepreneurial process (r=0.573, P<0.05). Considering the impact of each of the identified factors on entrepreneurial process, the effect of each factor on entrepreneurial process was significant at 0.05 level except urgent need for income (t= 1.375, p>0.05) and service to humanity (t=-0.048, P > 0.05). The significant were role model (t=2.373, P<0.05), environment (t=3.576, P<0.05), nature of business (t=3.350, P<0.05) and financial capability (t=3.457, P<0.05). All the influencing factors had positive relationship with entrepreneurial process except service to humanity.

The results of the Multiple regression on the impact of influencing factor on entrepreneurial process showed a significant impact at (F=11.652, p<0.05), (R² =0.328) and (r=0.573, p<0.05). Considering the impact of each of the identified factors on entrepreneurial process, the effect of each factor on entrepreneurial process was significant at 0.05 level except urgent need for income (t=1.375, p>0.05) and service to humanity (t=-0.048, p>0.05). The significant were role model at (t=2.373, p<0.05), environment at (t=3.576, p <0.05), nature of business at (t=3.350, p<0.05 and financial capability at (t=3.457, p<0.05). They all had positive relationship with entrepreneurial process except service to humanity. Therefore the Null hypothesis is rejected. There is significant impact of influencing factors on entrepreneurial process.

5. Conclusion and Recommendation

Findings revealed that all the identifiable influencing factors explained about 33% (R² = 0.328) to variation in entrepreneurial process while the remaining 67% unexplained variation was largely due to other variables outside the regression model which are otherwise included in Stochastic error term. There was significant moderately, positive relationship between the influencing factors and entrepreneurial process (r=0.573, P<0.05). Considering the impact of each of the identified factors on entrepreneurial process, the effect of each factor on entrepreneurial process was significant at 0.05 level except urgent need for income (t= 1.375, p>0.05) and service to humanity (t=-0.048, P > 0.05).

The significant were role model ($t=2.373$, $P<0.05$), environment ($t=3.576$, $P<0.05$), nature of business ($t=3.350$, $P<0.05$) and financial capability ($t=3.457$, $P<0.05$). Finally, all the influencing factors had positive relationship with entrepreneurial process except service to humanity as shown in Table 4.10. which indicate that influencing factors has a significant impact on the choice of entrepreneurial involvement. In view of the above finding the following recommendation were made:

- Entrepreneurial abilities should be developed to complement the positive impact of influencing factors recorded in this work by developing policies and programmes that enhance the entrepreneurial and business skills of the potential entrepreneurs.
- Entrepreneur should involved in technical and vocational training, and short-term entrepreneurship development courses and workshops for enhancing specific business skills through entrepreneurial process.

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