

## **Strategic Management of Small and Medium Scale Enterprises (SMEs) Demographic Profile: A Factor Analytic Approach**

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### **Abstract**

The ubiquitous existence of Small and Medium Scale Enterprises in all forms of economy led the study to examine the significance of the diverse impact of demographic factors particularly gender and education on the entrepreneurs' motive on the one hand and that of environment on SMEs' performance on the other. It surveyed a total of 280 respondent SMEs selected through categorized randomization to cover five major industrial sectors (Manufacturing, Agriculture, Service, Trade / Merchandising and Craft) with the objective of identifying the cause(s) of its abysmal failure to perform up to expectation. It traced the poor productivity cycle to a number of causative factors – organizational and environmental voids which did not favor the development of indigenous artisan ingenuity, global mercantilism / industrialism notwithstanding. The study further found out that the existence of political disputations and policy somersault had caused many entrepreneurs to lose focus such that the decision making ability had become frustrated. The study is therefore of the opinion that the wrong context and restrictive environment in which most SMEs' operations were carried out should be largely mitigated or if possible be eliminated completely.

**Keywords:** Generational/Performance Gap, Institutional/ Organizational Void, Propitious Relationship, Archetypal, Indigenous Artisan Ingenuity, Global Mercantilism

### **Introduction**

Owners of small enterprises exist in all countries of the world, adapting themselves, their products / services and their production processes to circumstances and opportunities of their times and places by applying "indigenous artisan ingenuity". This is the trait that enables the entrepreneurs to carry on their business affairs from time immemorial (Norman, 1980).

The indigenous artisan ingenuity continued to experience changes in the modern production process aimed at customer satisfaction leading to the process of creative destruction through continuous process re-engineering (Schumpeter 1961, Ogunsiji 2001, Hammer and Champy 2001). Nigeria is not left out in the use of this traditional 'artisan ingenuity' and the small businesses which are linked to this traditional artisan and craft culture had gravely affected the economic life of the poor and of small and rural communities who constitute the vast deprived production majority of the people (Nwosu 1981, Ogunsiji 2002),

In reality Small Business sector has a vital role to play in the internalization of successively improving indigenous technology in Nigeria and so must be appreciated by the technology institutes in the country (Nwosu 1981). Unfortunately the number of devices and processes designed and developed in response to the needs of the small businesses has not been effective enough a catalyst for inducing both broadbased and specialist indigenous industrialism of neglect by successive government in Nigeria.

Notwithstanding the slight variations in the direction and strength of the influence of demographic factors on the small businesses, the considered opinion of Abumere et al (1992) was that “age, gender and other qualifications in the composition and locale in which the informal sector reside constitute one of the important variables underlying the hypothesis:

**Demographic variables do not affect the practice and operations of SMEs.**

However the practice of Strategic Management in SMEs was found to be a function of the identifiable demographic variables. When the hypotheses was examined it was found to be valid and offered the vast majorly productive ‘poor-fit’ for further analysis (Ogunsiji 1994, 2002; 2011, 2013, Abumere et al 1998, Ogunsiji and Akanbi 2013 a & b, Portes and Sassen 1987). More intriguing is the presence of institutional voids in both the organization, the locale wherein the informal sector enterprises reside. This often makes it difficult, nearing impossibility, for SME entrepreneurs to create a brand community for their products and / or services. Most SMEs’ products / services are often imitative because their initiators lack the ability to create a compelling, distinctly differentiated brand position that can uniquely satisfy identifiable consumers’ needs and wants, customer capabilities and focused competitive actions. Mostly, product identification which should form the basis of strategic marketing is commonly impracticable for the lack of the three dimensional characteristics of differentiation possibilities-form, features, performance or conformance qualities. The absence of these characteristics makes scientific advertisement impossible and where it is placed it becomes a mere fluke that cannot create reliable brand mantras on which consumers can build loyalty. Hence SMEs and their products are often characterized by inevitably short start –up / extinct cycle (Stokes 1998). They die too early to pose any rivalry to competition.

**Methodology**

One major reliability test on which this study is based was the fact that out of 280 respondent SMEs surveyed for the 52 questions, 267 questionnaires (95% response rate) were returned and 221 respondents out of the 267 (93%) returned questionnaires answered all the 52 questions.

**Demographic Factors: An Overview**

There was a gender preponderant bias in favor of the male in the entrepreneurial distribution of small scale enterprises in the area of study. This is contrary to the view of extant studies about Mexico, Brazil and Bangladesh (Nwosu 1981, Abumere et al, 1998). The apparent contradiction may not be unconnected with the scope. While the earlier studies focused on merchandising in which the female gender tend to flourish mostly, the current study covered five of the industrial sectors of Agriculture, Manufacturing, Service, Trade / Merchandising and Craft. In this study Merchandising constituted an insignificant proportion of the entire population surveyed and the selection of respondents was based on proportional representation and was drawn / selected through the process of categorized randomization.

**Findings**

The study revealed that the major motive for starting SMEs in Nigeria is diverse and many and are distributed differently among each of the demographic variables surveyed.

**Age / Motive Symmetric Relationship**

The classification of the respondents into age groups showed that the majority of the entrepreneurs of SMEs fall into (31–40years) age bracket. These are group of people in their prime and they account for about 34.2% of total. This group is energetic, full of derive and the principal motive is venturesome, (i.e. business daring). This group represents the modal class of about 63% of the respondent entrepreneurs. The (41–50years) age bracket accounts for another 22% adding up to a total of 85%.

**Table 1: Age Distribution of Respondents**

	Frequency	Percent	Valid Percent	Cumulative
Valid < 30	76	28.1	28.4	28.4
31 – 40	93	34.4	34.7	63.1
41 – 50	59	21.9	22.0	85.1
> 50	40	14.8	14.9	100.0
Total	268	99.3	100.0	
Missing System	2	7		
Total	270	100.0		

The contention that SMEs is a pastime of the old / or retirees earlier canvassed is found to be quite untrue probably because of the spread of this study. (Gonzalez do la Rocha 1986, Ogunsiji 2002; Abumere et al 1998). The earlier work also found that the class in the early age of 20 years and below often took to SME entrepreneurship having dropped out of secondary school, hence were often unsuccessful, and that the class of entrepreneurs in the over 50 years age bracket (15%), mostly retirees, constitute the largest group whose motive are essentially redundancy and opportunity, merely intending to fill up the gap of difference between an actively productive life style and the seemingly idle / unproductive retired life (Ogundele 2000).

**Table 2: Age / Motive Symmetric Relationship**

	MOTIVE					Total
	Redundancy	Fin. Incentives	Venturesome	Independence	Propensity to be s.e.	
Age < 30	15	21	18	15	7	76
Count						
% within Age	19.7%	27.6%	23.7%	19.7%	9.2%	100.0%
% within Motivation	31.9%	48.8%	22.5%	28.8%	15.9%	28.6%
% of Total	5.6%	7.9%	6.8%	5.6%	2.6%	28.6%
31 – 40	18	7	33	22	11	191
Count						
% within Age	19.8%	7.7%	36.3%	24.2%	12.1%	100.0%
% Within Motivation	38.3%	16.3%	41.3%	42.3%	25.0%	34.5%
% of Total	6.8%	2.6%	12.4%	8.3%	4.1%	34.2%
41 – 50	11	11	16	8	12	58
Count						
% within Age	19.0%	19.0%	27.6%	13.8%	20.7%	100.0%
% within Motivation	23.4%	25.6%	20.0%	15.4%	27.3%	21.8%
% of Total	4.1%	4.1%	6.0%	3.0%	4.5%	21.8%
> 50	3	4	13	7	14	41
Count						
% within Age	7.3%	9.8%	31.7%	17.1%	34.1%	100.0%
% within Motivation	6.4%	9.3%	16.3%	13.5%	31.8%	15.4%
% of Total	1.1%	1.5%	4.9%	2.6%	5.3%	15.4%
Total	47	43	80	52	44	266
Count						
% within Age	17.7%	16.2%	30.1%	19.9%	16.5%	100.0%
% Within Motivation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% of Total	17.7%	16.2%	30.1%	19.5%	16.5%	100.0%

### **Symmetric Measure Table**

The symmetric measures showed an interval by interval Pearson's R value of 0.195 significant at 0.001 with an asymptotic standard error of 0.059 and an ordinal by ordinal Spearman's Correlation Coefficient of 0.185 significant at 0.002 with an asymptotic standard error of 0.060 when not assuming the null hypothesis. However, when the null hypothesis is assumed to be valid the approximate T-ratio was 3.233 and 3.054 for the interval by interval and ordinal by ordinal respectively both significant at 0.001. This implies that the effect of age cannot be waved away on motives because it is significant at 99.99% confidence level.

### **Qualification:**

Both General / Basic and Technical / Vocational Education are considered

General Education: The bulk of entrepreneurs surveyed held at least secondary education and they were above 85.6% of the entire population. Those in the class of the below secondary education accounted for the remaining 14.4%. One amazing revelation worthy of note is that this group with below secondary education controlled about 14.3% of the total SMEs surveyed. The businesses of this group are majorly in trade / merchandising and they do not show promise or potential to survive the tide of competition in the shortest time, talk less of being profitable, basically feasible though not viable. The entrepreneurs in this class appeared to lack vision and mission as well as the knowledge or understanding of decision making process. This lack or inadequacy explains the absence of analytical thinking / rational decision making which is fundamental to strategic management and strategic marketing (Ogunsiji 1994, 2002, 2014).

Obviously the casual or existential proposition that education has no direct bearing on the successor otherwise of SMEs proprietors is fallacious because general education showed a negative interval by interval Pearson's Moment Correlation not significant at either 5% or 10%.

This becomes necessary because the type of decision making involves setting strategic objective and crafting strategic management process expected to direct lower level decision implementation to ensure that marketing objectives are achievable (Maslow 1954).

There are "generational" and "performance" gaps and the comparatively better opportunities that formal education makes available to potential entrepreneurs were found responsible for the widespread difference in the aspirational levels, the quality of motives sought and the state of mind achieved among the total population of 280 respondents surveyed and of the 249 found analyzable 191 had technical skill relevant to their operational demand while the remaining 58 had non- relevant.

**Table 3: Technical Skill / Motive Distribution**

	YES: (N-(191)		NO: (N-58)		TOTAL	N = 249 $\sum$ f%
	F	%	F	%	F	
Redundancy (needs)	34	7.81	13	22.4	47	18.9
Fin Incentives (opportunity)	24	12.6	13	22.4	37	14.9
Venturesome	58	30.5	18	31.0	76	30.5
Independence	37	19.4	11	19.0	48	19.3
Propensity to be self-employed	38	19.9	3	5.2	41	16.5
TOTAL	191	100	58	100	249	100.0

### **Field Survey**

Though an earlier study by Ogunsiji (2002) showed that the low productivity cycle is caused majorly by lack of technical skills due to shortage and / or inadequate financial resources, time and trainable qualities. Where these resources are available they are found to be diminishing fast. Thus many governmental and non-governmental organizations / agencies such as the National Directorate of Employment (NDE) National Association of Small Scale Industries (NASSI), Nigeria Association of Chambers Commerce Industry Mines and Agriculture (NACCIMA).

Micro Small and Medium Enterprises (MSME) put in place to arrest the low productivity cycle couldn't because they were operating within the wrong context and in restrictive environment bedeviled with institutional voids (Walter, 1998, Ogunsiji 2002, Marden 1984).

This misdirected attention caused economic disorientation and dislodgement as the external factors responsible for the internal perceptions of unmet aspirations of the entrepreneurs (Walter 1998, Ogunsiji 2002 Marden 1984, Kirkpatrick, Lee and Nixson 1985). It is further established that the low productivity cycle is aggravated by unmet aspirations. And when low productivity criteria, environmental factors (internal and external) entrepreneurial aspiration levels and perceptions were subjected to a comparative analysis, there was not found a determinate order of precedence or cause and effect or sufficient propitious relationships to establish a Granger Causal effect (Caines, Keng and Sethi 1981). Rather a mere existential proposition that entrepreneurs unmet aspirations were due to the fact that they (entrepreneurs) were operating within the wrong context and in a restrictive environment plagued by reinforced conflicting institutional and environmental voids as mere deductible safety valves.

The data relating the motives of the entrepreneur to the presence / absence of skill as shown in Table 3 above has 78% possessing skill while 22% do not. Interestingly about 30% of this combined groups have "venturesome" as their motive for starting an SME while up to 19.9% of the group that have skills are driven into SME entrepreneurship by mere propensity to be self-employed followed by desire to be independent.

### **Skill Source**

Despite the fact that possession / acquisition of skill assumed an a priori consideration, in fact a desideratum for the successful existence and visibly blossoming SMEs, only about 50.3% obtained their technical skill through formal training, another 17% through past job "experience adaptation" while those by mere exposure (look and learn) accounted for yet another 10.6%. The interview that followed showed that while previous experience was found to be motivating factors for going into SME entrepreneurship, it did not form the basis of the skill needed for keeping it alive. Though disengaged workers from Large Scale Firms, (LSF) or Multinational Enterprises (MNEs) of the formal diverse productive activities of the SMEs, the technical skill obtained from their previous experience of a completely automated / mechanized process were hardly relevant without adaptation to the manual, local un-mechanized or semi-mechanized production process of the SMEs. Unfortunately the dearth of basic / general education makes the adaptation an arduous task.

### **Environment**

It cannot be overstated that the perception and / or aspirations of all categories of entrepreneurs of SMEs are a function of both Natural and Organizational Environmental factors. Be they the macro or micro or a combination of both they all in the present day business world, have become unpredictably unreliable, riddled with persisting current major socio-economic and politico-legal disputes notwithstanding the drive towards sustainable world and global mercantilism.

The effect of this disputations is even gloomier in Nigeria where regional, inter and intra geo-political zones frequently war against one another and even among themselves. Worse still, each federating unit or a group of the federating units was / were always against the nationhood via unhealthy politicking. The abuse of technology made traditional cultural value to become bastardized and language which normally form the basis of business communication, value – driver and bedrock of analytical reasoning for business decision has been polluted so traumatically that the dignity for work had been replaced by whimsical desire to get rich quickly at all cost and by all means (Smith & Taylor 2004, Lindstrom 2014; Rizzoni 1992). General State of Mind amongst Entrepreneurs, For whatever motive that has led each of the respondent entrepreneurs into founding SMEs at least 74% are satisfied. About 19.8% are though not satisfied they are none the less dissatisfied and so expressed no regret.

**Table 4: General State of Mind of the SME Entrepreneurs**

Valid	No	%	Cumulative %
Satisfied	183	74	74
Not Satisfied	25	10	84
Regret	8	3	87
Dissatisfied	8	3	90
No Regret	25	10	100
Total	249	100	
Missing System	5	-	-
<b>Total</b>	<b>264</b>	<b>100</b>	

One quizzical expression was the fact that those who expressed “Not satisfied and “Regret” combined to a total of 13% just as those who are out rightly “dissatisfied” and “No regret” also combined to total up to 13%. Those whose aspiration were not met served as the additive 3% that added up to those not satisfied to make 13% of the first group while the same former group of no regret added up to those out rightly dissatisfied to make another 13%. That is “Not satisfied” and “regret” though not the same group with “dissatisfied” and “No regret” both accounted for the same 13.0% in each case. This apparent contradiction showing that not satisfactory is constitutive of “Regret” while “Dissatisfied” is constitutive of “No Regret” is quizzical and require further scientific investigations.

However those out rightly dissatisfied represent those whose aspirations were not met yet not ready to abandon the business but are hopefully awaiting stimuli that would change the wrong context and restrictive environment caused by the internal factors described as economic disorientation and dislodgement. The SMEs and the external environment are archetypal of open system wherein business decision making involve learning, reinforcement, adaptation and feedback.

It could therefore be inferred that the “Dissatisfied” group are awaiting an appropriate management strategy that would engender a favorable impact on the factors/forces causing the disorientation and dislodgement responsible for their “Regret” state of mind.

### **Strategic Management**

The relative variability of the factors in the external environment is minimal when compared with the result of the Aggregate Content Analysis (ACA) of the perception of the underlying variables of management. The male folks demonstrated a sharper and more dominating strategic intent than their female counterparts with 71.7% and 28.3% Composite Average Value (CAV) respectively when factor analyzed. The male often adopted Enlightened Marketing Strategy as opposed to the female’s Entrepreneurial Marketing, a strategy peculiar and fit for merchandising enterprises in which the female folks seemed to specialize (Ogunsiji 2002, Akinbinu 2002, Dacko 2008, Wehrich, Cannice and Koontz 2011).

### **Conclusion and Recommendations**

The study analyzed the identified causes of the causes of the poor productivity cycle of the SMEs in Nigeria with special attention on the Entrepreneurs themselves, the SMEs as the organization of study and the environment / locale in which SMEs operate. The factors inhibiting the inherent development potentials of indigenous artisan ingenuity were also identified. The identified inhibiting factors-infrastructural failures, environmental and institutional voids, performance gaps and inadaptable production process – were subjected to a comparative analysis to establish a plausible determinate order of precedence or cause and effect relationships using Granger Causal Effect technique (Lin, Jin-Lung and Chuing Shu Wu 2006). Such relationships could not be established. Consequently Aggregate Content Analysis of the entrepreneurs’ perception could not also find appropriate prognosis to mitigate the ever plummeting SMEs’ poor productivity cycle.

Sequel to the above, application of Conceptual Environmental Relational Analysis rather than Physical Impact Analysis was recommended to identify the strength and direction of the voids and other causes of disorientations and dislodgements. The study also advocated a drastic reduction where total elimination of the voids seems impossible.

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