

EXTENT OF RISK-TAKING ORIENTATION AS A DETERMINANT FOR IMPROVED PERFORMANCE OF TVE ENTREPRENEURS IN SMALL AND MEDIUM SCALE ENTERPRISES IN ANAMBRA STATE

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Abstract

This paper investigates the extent of Risk-Taking Orientation as a determinant for improved performance of TVE Entrepreneurs in SMEs in Anambra state. One research question guided the study and one hypothesis was tested at 0.05 level of significance. The study adopted descriptive survey research design and population of the study is 2,698 TVE entrepreneurs of SMEs registered with Ministry of Trade, Commerce and Industry in Anambra State as at 2022. The Taro Yemane's formular was used to determine a sample size of 348 which was used for the study. The instrument for data collection was a researcher developed questionnaire structured on a four point scale. The instrument was subjected to both face and content validity by three experts in the field. The internal consistency of the instrument was determined using Cronbach's Alpha method and a reliability coefficient of 0.81 was obtained.

Mean was used to analyze data for the research question while t-test was used to test the hypothesis at 0.05 level of significance. The major findings of the study showed that Risk-Taking Orientation improves performance of SMEs to a high extent. Again, the study revealed that there is no significant difference in the mean responses of the respondents on the extent to which Risk-taking Orientation improves SMEs in Anambra state based on age. It was recommended that government through their different empowerment schemes should support the entrepreneurs by providing risk taking orientation training to improve their competence in sustaining their start-up businesses.

Key Words: TVE Entrepreneurs, Small and Medium Enterprises, Improved Performance, Risk-taking orientation

Introduction

Nigeria economy over the years has witnessed several economic imbalances which has greatly affected the standard of living of the citizens. Youths, able bodied men and women continue to engage in different small and medium scale enterprises in order to earn living. With the high rate of inflation, in addition to unemployment in the country, there is the possibility that most Technology and Vocational Education graduates, whether entrepreneurially orientated or not, will venture into small and medium scale enterprises if not employed after graduation. Lack of entrepreneurial orientation prior to start-up businesses often rubs the entrepreneurs the knowledge and the competencies required for entrepreneurial success and sustainability, hence, eventual business failures

Towards success and sustainability of businesses, risk-taking orientation should be preeminent as it is envisaged as one of the pivotal roles to improve productivity of Small and Medium Enterprises (SMEs). Firms with better performance record are often associated with higher level of risk propensity, (Wales, 2016). Lomberg, Urbig, Stoeckmann, Marino and Dickson (2017) opined that risk-taking propensity denotes the willingness to make investments in projects that have uncertain outcomes. Risk-taking is the willingness of the entrepreneurs or owners of business to exploit opportunities that have a greater possibility of dismal failure or major performance

inconsistencies. In the view of Chimucheka, Dodd, and Chinyamurindi (2019), it is a business enterprise's tendency to take business-related chances about strategic actions with uncertain danger or uncertain expected returns.

Following the paramount need for risk-taking in entrepreneurial success and enterprise sustainability, Nuelokoli, Nwosu and Okechukwu (2021) opined that entrepreneurship education should be integrated into all programmes proposed in the tertiary institutions of learning as a required course. This, they believed would help in generating entrepreneurs with sustainable integrity and skills that would support the government in employment and facilitate economic growth and development through improved productivity of small and medium scale enterprises in the country. Complete and comprehensive employment is one of the aims and goals of government of every country to its citizens. However, Nigeria, especially Anambra state continues to find it difficult to achieve this. Unemployment is a growing epidemic in Nigeria especially among the graduates. This is because the white-collar jobs are fast eroding as the financial institutions and manufacturing companies, which used to be the juicy sectors, are folding up or merging as a result of the bank consolidation crises as well as the intermittent power supply, insecurity, inconsistency in government policies, poor or dilapidated infrastructures and high interest rate among others.

Developing the SME sector is a way to help the government achieve its goal of complete and comprehensive employment for the citizens. Providing the entrepreneurs with the required entrepreneurial orientation is viewed as a vehicle to reduce frequent business failures, accelerate industrialization, and solve the challenges of unemployment and general economic growth, (Nuelokoli et al, 2021). Noting the possible existence of other entrepreneurial orientations needed for SME performance acceleration, establishment of the extent of their impact becomes preeminent in helping the entrepreneur in their choices.

Statement of the Problem

Risk Taking Orientation equips entrepreneurs with the knowledge, skills and competence required for sustenance and growth of SMEs. In most developed countries of the world especially in the continent of Asia, SMEs are well developed because of the great extent of risk-taking orientation taking place in such countries. This has helped in the growth and sustenance of SMEs in many countries of Asia such as Malaysia, India, South Korea among others.

In Africa, observation shows that risk-taking orientation is still at the infant stage thus affecting the sustenance and growth of SMEs in the countries. In Nigeria, many businesses perhaps over 75% of all businesses operating in the country are SMEs. This number of SMEs is expected to have promoted the economic standard and employment status of the country. Anambra State in particular has been seen as one of the states with highest number of SMEs in Nigeria. Unfortunately, only few grows beyond five years of existence, hence dwindling the expected impact of the SMEs in reducing unemployment rate in the state. This may not be unconnected with the dearth of risk-taking orientation in the state. The crux of this paper is to determine the extent to which risk-taking orientation can drive the performance rate of entrepreneurs in their small and medium scale enterprises.

Research Question

This paper answered the research question:

1. To what extent does risk-taking orientation improve the performance and sustainability of TVE entrepreneurs in small and medium scale enterprises in Anambra state?

Hypothesis

1. There is no significance difference in the mean responses of the respondents on the extent to which risk-taking orientation can improve performance and sustainability of TVE Entrepreneurs in Small and Medium Scale Enterprises in Anambra State based on age.

Literature Review

Risk taking is the act of taking a decision or performing a task that may lead to positive or negative outcome in order to achieve a goal, (Onyenma, Tamunomiebi, Mark, 2020). It is the propensity of an SME to make gutsy moves such as entering unfamiliar new markets, obligating a huge percentage of the firm's resources to investments with unknown outcomes and taking up of big loans. Risk in itself can be defined as the possibility of failure or loss or other adverse consequences in pursuing some activity or venture hence, risk taking is the way to create opportunity and progress Rahaman, Luna, Ping, Islam, and Karim (2021).

Following the view of Lomberg et al., (2017), risking taking refers to venturing into the unknown, though one difficult to quantify. This is because, in addition to monetary risk, it typically entails psychological and social risk. It is stated that there are three categories of risk-taking: (i) investing into the unknown; (ii) Investing some portion of resource; (iii) heavy borrowing. It was expected that firms that have better performance would also have a higher level of risk propensity. Wales, (2016) described risk taking as the firm's inclination and tendency to allocate a substantial amount of its resources in endeavors where the cost of failure can be very high or the outcomes are uncertain. Also, risk -taking propensity can be defined as a tendency to take or avoid risks and it is viewed as an individual characteristic. The positive relationship between risk-taking propensity and risk decision making by individuals is expected to translate to organizations through top management teams. Although there are many ways of conceptualizing risk, it all depends on risk propensity and risk perception. The higher the risk propensity and the lower the risk perception, the more likely it is that risky decisions will be made. Risk-taking is the willingness of the managers or owners of business to exploit opportunities that have a greater possibility of dismal failure or major performance inconsistencies

Risk-taking centered on the readiness of entrepreneurs to take part in premeditated business risk which in the end leads to high business performance. Lomberg et al., (2017) identify venturing into the unknown as a definition for risk taking which leads to great firm performance. This is because it provides SMEs the foundation to grow and integrate into new products without having to worry about its consequences. Studies have found that SMEs that take risks perform better in terms of profitability than those who do not. Such firms are also expected to have better performance and a higher level of risk propensity.

Method

The descriptive survey research design was employed in this study. The study was conducted in Anambra State. The population of this study was 2,698 and comprised TVE graduate Managers of SMEs registered with Ministry of Trade, Commerce and Industry in Anambra State as at 2022. The Taro Yemane's formular was used to determine a sample size of 348 which was used for the study. The instrument for data collection for this study was a questionnaire structured on a 4 - point rating scales and ranges as follows; Very High Extent (VHE, 4.00 - 3.50), High Extent (HE, 3.49 - 2.50), Low Extent (LE, 2.49 - 1.50), Very Low Extent (VLE, 1.49 - 1.00). A Pilot test was used

to establish the instrument's reliability; it was administered to 20 managers of small and medium scale enterprises in Enugu Metropolis of Enugu State who are not part of the population of the study. Statistical Package for Social Sciences (SPSS) version 21 was employed in the data analysis. Using Cronbach Alpha reliability method, the obtained data yielded a score of 0.81 for internal consistency which was deemed reliable for the study. The data collected were analyzed using SPSS 20. The research question was answered using mean while standard deviation was used to determine the closeness of the responses of the respondents. When the deviation is less, it means that data points are close to the mean value, and data is considered reliable. In contrast, if the deviation is wide, data points are spread farther from the mean value and such data is considered less reliable. The hypothesis was tested using t-test at 0.05 level of significance. The decision rule for acceptance or rejection of the hypothesis is that the hypothesis will be rejected if the P-value is less than the stated 0.05 level of significance, else the hypothesis will not be rejected.

Results

Research Question

1. To what extent does risk-taking improve performance and sustainability of TVE Entrepreneurs in Small and Medium Scale Enterprises in Anambra State?

Table 1: Mean rating of the respondents on the extent to which risk taking orientation can help to improve performance and sustainability of TVE Entrepreneurs in Small and Medium Scale Enterprises in Anambra State.

SN	Item Description	Mean	SD	DECISION
1	Taking risk offers SMEs opportunity to learn.	3.07	0.87	high extent
2	New venture helps SMEs know opportunity in a new business.	3.33	0.77	High extent
3	Innovations are made effective through risk taking.	3.41	0.80	High extent
4	Risk taking helps SMEs to be ahead of their competitors.	3.32	0.88	High extent
5	Calculated risks bring about positive change in business.	3.41	0.77	High extent
6	Absence of performing a positive task brings about negative outcome	3.46	0.58	High extent
7	Risk taking creates opportunity for progress	3.23	0.71	High extent
8	SMEs that take risks perform better in terms of profitability.	3.12	0.79	High extent
9	Critical decision in risk taking leads to high performance in an organization	3.07	0.70	High extent
10	Risk taking encourages behaviours that lead to process enhancement	3.33	0.73	High extent
Cluster		3.29	0.76	High extent

Table 1 above showed that all the respondents agreed that all the items raised on Risk taking strategy orientation have High extent impact in helping in improvement of productivities of small and medium scale enterprises (SMEs) in Anambra state. This is because the mean responses of all the items fall between 3.07 - to - 3.46. The cluster mean which is 3.29 indicated that generally, the

respondents agreed that the extent to which Risk-Taking strategy orientation can help to improve SMEs in Anambra state is very high. The cluster standard deviation of 0.76 is less and this indicated that the spread of the scores from the mean is less showing that the scores were very close to the mean. This implies that the data was reliable.

Hypotheses

1. There is no significant difference in the mean responses of the respondents on the extent to which Risk-taking orientation can help to improve SMEs in Anambra state based on age.

Table 2: Summary of the t-Test Analysis of the responses on the extent to which Risk-taking orientation can improve performance and sustainability of TVE Entrepreneurs in Small and Medium Scale Enterprises in Anambra State based on age.

Risk-Taking Orientation	N	Mean	SD	DF	P-value	Decision
20-29 years	161	3.23	0.574	296	0.27	Accepted
30 years and above	137	3.37	0.511			

The result in the table 2 indicated that there is no significant difference in the mean responses of the respondents on the extent to which Risk-taking orientation can help to improve SMEs in Anambra state based on age. This is because the P-value is 0.27 which is greater than the stated 0.05 level of significant. This therefore means that the null hypothesis was not rejected.

Summary of findings

1. Managers of SMEs agreed that the extent to which Risk-Taking strategy orientation can help to improve SMEs in Anambra state is very high.
2. There is no significant difference in the mean responses of the respondents on the extent to which Risk-taking orientation can help to improve SMEs in Anambra state based on age.

Discussion of the findings

The study found that the extent to which Risk-Taking strategy orientation can improve SMEs in Anambra state is high. The finding is not in conformity with that of Arisi-Nwugballa, Elom and Onyeizugbe, (2016) who revealed that Risk-taking is not of relevance to the performance of SMEs in Ebonyi state. In agreement, Obioma, Miebaka and Mark, (2020) revealed that risk taking led to improved customer satisfaction, growth increment and improved social performance of small and medium enterprises in Rivers and Bayelsa states. The small and medium enterprises should apply and adopt risk taking in the operation of their businesses to improve performance.

On the other, the test of the first hypothesis revealed that there is no significant difference in the mean responses of the respondents on the extent to which Risk-taking orientation can help to improve SMEs in Anambra state based on age. This differs from the result of the study carried out by Minniti (2006) which revealed that responses of the business-managers to business risk factors in their forties is different from that of the younger ones. This may be because the costs for the opportunity time increase with the age. These discourage older individuals from choosing the forms of employment involving risk or postponement of satisfaction. However, the present study only required their opinion about risk taking which incidentally agreed with the opinion of the younger individuals.

Conclusion and Recommendation

This study is important to provide information on the necessary entrepreneurial orientation dimension required by entrepreneurs in Anambra state in order to reduce the rate of failures of start-up SMEs and improve their impact in unemployment reduction in the state. This study revealed that risk-taking orientation determines the performance and success rate of entrepreneurs in their small and medium scale enterprises to a high extent. Among others, risk-taking offers SMEs opportunity to learn, know opportunities in a new business, innovate, be ahead of their competitors, bring about positive change in business, take critical decision which leads to high performance in an organization as well as encourages behaviours that lead to process enhancement. Countries with proper entrepreneurial orientation such as risk-taking implementation record SMEs' high impact in the workforce employment hence contributing meaningfully to the nations' economy. Notwithstanding that Anambra state has the highest number of SMEs in the country; the impact of these SMEs is yet to be felt in the economy. This may be due to improper entrepreneurial orientation implementation in the state. The study thus recommends that government, through their different empowerment schemes, should encourage the Entrepreneurs to take part in premeditated business risk that will lead to innovative practices, thus enhancing their entrepreneurial performance. The study thus recommended that government through their different empowerment schemes should support the entrepreneurs by providing risk taking orientation training to improve their competence in sustaining their start-up businesses.

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