

“Factors influencing small and medium enterprises (SMEs): an exploratory study of owner/manager and firm characteristics”

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Factors influencing small and medium enterprises (SMEs): an exploratory study of owner/manager and firm characteristics

Abstract

In recent times, there is an extensive amount of literary research devoted to the influence of the characteristics of the owner/managers and the firm on the growth of Small and Medium Enterprises. Nevertheless, the bulk of such research tends to concentrate on SMEs in developed countries; very limited studies have provided such research on SMEs in Africa, and even less in Nigeria. This paper fills this gap; it incorporates an analysis of influence of five owner/managers and four firm characteristics on the growth of the firm. Our result reveals that SME growth is largely influenced by firm characteristics such as age, sector, legal status and number of employees. Owner/manager characteristics proved seem to influence growth include age, education, previous experience, and three motivation variables, namely finance, employment creation and self-fulfilment. Owner/manager characteristics such as gender and two motivational variables such as desire to be independent and job satisfaction were not seen to exert an influence on SME growth in our sampled firms in Nigeria.

Keywords: SMEs, small firms, entrepreneurship, Nigeria.

JEL Classification: M13.

Introduction

Previous economic studies relating to enterprises have tended to focus on large enterprises utilizing scale economies (Gray and Lawless, 2000); small and medium sized enterprises (SMEs) have only just emerged as a field of study in its own right, as a result of the innovations and the solution they provide to different economic problems, particularly in terms of employment. There is a sort of consensus on the importance and key roles these enterprises play in different economies. While it has been argued that a small firm, because of its size, can only make a minor contribution to the economy, as there are so many small firms their collective contribution is substantial. For example, according to data from the European Observatory (ENSR, 1997), SMEs employing up to 250 people accounted for 68 million jobs in the European Union in 1995. Furthermore, available data from some African countries show that in 2003 SMEs in Kenya employed 3.2 million people and accounted for 18 percent of the national GDP. In Nigeria, SMEs account for 95 percent of formal manufacturing activity and 70 percent of industrial jobs. In South Africa micro and small firms provided more than 55 percent of total employment and 22 percent of GDP in 2003 (OECD, 2005). Despite the apparent significance associated with these firms and the numerous policy initiatives introduced by African governments during the past decade to accelerate the growth and survival of SMEs in the African region, the performance of SMEs in Africa has been disappointing. The mortality rate of SMEs in Africa remains very high (Business Time, 1990). For example, Mead (1994) in his study of five African

countries found that most firms started with 1-4 employees and never expanded, furthermore, less than 1 percent grew to a size of about 10 employees. Kilby (1993) in his study of 116 firms in Nigeria over a 30 year period found that only 2 of the 21 firms that originally had fewer than 10 employees graduated above that number. Oshagbemi (1983) stated that less than five out of every twenty businesses established in Nigeria survive in their first year of operation. Friedman (1988) in his study of 214 micro enterprises in the Northern Region of Nigeria within an eight-year period reported that only 4 had graduated into small and medium firms. Onyeiwu (1992) in a study conducted over thirty years on SMEs in the Eastern Region of Nigeria stated that half of SMEs in Nigeria do not survive beyond half a century. This rate of failure unfortunately is not confined to new entrants; it also affects older established SMEs (Oshagbemi, 1983).

This alarming rate of business failure gives the Nigerian economy cause for concern; there is therefore urgent need for research on the factors which may be responsible for influencing SME growth in Nigeria. The presumed importance attached to the SME sector rests on the belief that if factors which influence growth are identified, then certain beneficial characteristics which contribute to the growth process can also be identified; businesses possessing these characteristics could then be selected for special assistance. According to Jennings and Beaver (1997), there is no single criterion, label or definition of growth. The term growth may mean earning profits, growth in sales/turnover, growth in productivity, avoiding losses, being cost efficient, surviving in the market, or performing well compared to competitor. Growth in this study is defined using turnover. According to

various writers (see, for example, Hoy et al., 1992), turnover growth is the best measurement of growth; in addition, this form of growth measurement is mostly used by SME owner/managers themselves (Carter and Jones-Evans, 2000).

1. Explaining growth in the small and medium sized enterprise sector

Over the last two decades SME growth has received considerable attention from researchers and policy makers around the world (see, for example, Storey, 1994). Notwithstanding, there is no unified theoretical model on firm growth, due to divergence in theoretical and empirical perspectives and interpretations, as well as the innate complexity of the phenomenon of growth itself. The situation is further compounded by the heterogeneous nature of growth, that is to say, firms can expand along different dimensions and show many different growth patterns over time (Delmar et al., 2003). Gibbs and Davies (1991) are of the opinion that the production of such a theory and explanation in the near future are unlikely. The approach used in this paper is based on a modified version of the framework presented by Storey (1994) to consider the factors influencing SME growth. Our framework includes two growth influences, namely: characteristics of the entrepreneur and the characteristics of the firm. Each of the two components will now be discussed in turn in the next section.

2. Characteristics of the owner/manager and their influence on growth

Many empirical studies have tended to focus on the relationship between the characteristics of the owner/manager and firm growth. Within the broad category of owner-manager characteristics Storey (1994) suggests five elements which are likely to influence growth, these are: age, gender, education, motivation, previous work experience of the owner/manager.

2.1. Age of owner/manager and its influence on growth. Available theoretical discussion explaining the influence of the age of the owner/manager advocates for the younger owner/manager; the argument here rests on the fact that the younger owner/manager has the necessary motivation, energy and commitment to work and is more inclined to take risks (Storey, 1994; Watkins et al., 2003). The logic is that the older owner/manager is likely to have reached his/her initial aspiration.

Hypothesis 1: There is significant relationship between the age of the owner/manager and the level of growth attained; consequently, firms run by younger owner/managers tend to have a higher growth

probability than those run by their older counterparts.

2.2. Gender of the owner/manager and its influence on growth. Research on gender of owner/manager tends to focus on the male owner/managers, as the proportion of firms owned by men exceeds those owned by women (Kentor, 2001; Chell, 2001), with most studies reporting that failure rates for female owned firms are higher than those for male. Reasons for this include limited access to finance, stringent collateral requirements, women's double duties (Riding and Swift, 1990; Carter and Jones-Evans, 2000). Other studies, however do not observe a significant link between gender and growth (see, for example, Cooper et al., 1994; Cliff, 1998).

Hypothesis 2: There is significant relationship between the gender of the owner/manager and firm growth; male-owned/managed firms exhibit higher growth than female-owned/managed firms.

2.3. Formal education of owner/manager and its influence on growth. There is no question as to the fact that basic education enhances the overall quality of the owner/manager by providing him/her with basic numeric and literacy skills, thus increasing the chance of survival (see, for example, Carter and Jones-Evans, 2000; Storey, 1994). Literary discuss on the educational level of the owner/manager tends to be split into two schools of thought. Some studies state that the fact that a manager has a higher education degree or even a postgraduate degree seems to stimulate the growth of the firm, thus having an impact on both survival and growth. The converse argument is that owner/managers of SMEs who had degrees generally achieved lower rates of growth than those less well educated (Hall, 2000; Barkham et al., 1996).

Hypothesis 3: There is significant relationship between the educational qualification of the owner/manager and the level of growth attained; growth is higher in firms where the owner/manager has a college or university degree.

2.4. Motivation of the owner/manager and its influence on growth. Storey (1994) makes a distinction between positive and negative motivation. According to him, positive motivation includes the perception of market opportunities for a product or service and the desire to make money. Negative motivation encompasses dissatisfaction with an existing employer and threat of actual unemployment. Janssen (2002) supports the following: market opportunity, meeting a challenge, personal achievement, employment creation, independence, improvement of social status, profit, growth target.

Hypothesis 4: There is significant relationship between owner/managers motivation for going into business and firm growth; growth is influenced by the owner/managers motivation for going into business particularly with regard to finance.

2.5. Previous experience. Studies have generally found that SME owner/managers with more managerial, sector experience or prior SME experience as owner/manager tend to correlate with greater growth (Storey et al., 1989). A study carried out by Hall (2000) found that SME owner/managers in the UK with little experience at the start-up phase could have problems remaining solvent with an increase in expenditure in relation to their earnings. Kalleberg and Leicht (1991) in their study found no relationship between prior SME experience and firm growth. Storey (1994) found reasonable evidence indicating a negative relationship between being unemployed before starting a business and subsequent business growth.

Hypothesis 5: There is significant relationship between the previous experience of the owner/manager and firm growth; growth is positively influenced by previous experience of the owner/managers, particularly those who have prior SME experience.

3. Firm characteristics and their influence on growth

A firm's demographic characteristics are those properties traditionally encountered in empirical studies of firm growth, which include the size of the firm (Storey, 1994), the age of the firm (Evans, 1987; Storey, 1994), its legal form (Reynolds and Miller, 1988), and its sector (Cooper et al., 1994).

3.1. Firm age and its influence on growth. According to various writers, the age of the firm is an important factor influencing the growth of the firm (Storey, 1994; Barkham et al., 1996). There is strong evidence to suggest that younger firms grow faster than older ones (Stoke, 1995; Brock and Evans, 1986). Storey (1994) stated that in the United Kingdom and United States of America younger SMEs grew more rapidly than older enterprises.

Hypothesis 6: There is significant relationship between the age of the firm and the level of growth attained; firm growth decreases with firm age.

3.2. Firm size and its influence on growth. In relation to firm size, the general pattern is that smaller firms grow more rapidly than large ones (Storey, 1994; Delmar, 1997; Kumar, 1985). This view point has been rejected by a number of writers, for example Audretsch and Klepper (2000), Sutton (1997), Caves (1998). All note that a small firm has

a lower likelihood of survival. This is supported by Westhead (1995) in his study of high technology firms in England, who found that larger firms have more propensities for growth than their smaller counterparts.

Hypothesis 7: There is significant relationship between the size of the firm and the level of growth attained; firm growth increases with firm size.

3.3. Legal form and its influence on growth. Theoretically, a firm constituted such that the owner/managers enjoy limited liability has been said to have a greater incentive to pursue risky projects and therefore expects higher profits and growth rates than other firms (Stiglitz and Weiss, 1981). Harhoff et al. (1998) in their study of German firms found that firms with limited liability have above average growth rates. Freedman and Godwin (1994) in their study of small businesses in the United Kingdom found that the prime benefit of corporate status is the limited liability. Also studies carried out by Kalleberg and Leicht (1991) on small firms in the United States came to the same conclusions. An isolated study carried out by Curran and Stanworth (1973) found that growth can be found among sole proprietorship firms.

Hypothesis 8: There is significant relationship between the legal status of the firm and the level of growth attained; incorporated firms have higher growth rate than their unincorporated counterparts.

3.4. Industry sector and its influence on growth. A high number of studies carried out to identify the influence of a firms sector on the growth of the firm concur that there are significant differences between sectors in terms of the typical growth rates of the firms. Only a few studies show sector variables not to be significant (see Barkham, 1992; Storey et al., 1987; Hakim, 1989; Macrea, 1991).

Hypothesis 9: There is significant relationship between a firm's sector and the level of growth attained.

4. Methodology

The aim of this research is to explore the influence of the owner/manager and firm characteristics on the growth of the firm. Utilizing a self administered questionnaire, data were collected from five major cities in Nigeria, where a large number of SMEs are located, namely: Lagos, Abuja, Ibadan, Anambra and Kaduna. The sample for this survey consisted of 523 SME owner/managers. Questionnaires are good research methods as they yield information about the past and present and offer the best means of obtaining standardized stimuli. The data collected from the

self administered questionnaire were analyzed by using descriptive statistics based mainly on frequency distribution and percentage value. In addition, bivariate analysis was used to determine the characteristics of the growing firms. The researcher was interested in examining the associations between the dependent variable (turnover growth) and the independent variables. Firm growth was measured using the perceptions of the owner/managers, who were asked to classify their turnover in the last two years in three categories, namely: decreased and remained the same, increased slightly, increased greatly. In pursuant to the aims and objectives of this study, only those businesses whose growth status is classed in one of the categories were included in the analysis. In order to test the hypotheses of the study, Cramer's V statistical test was used to examine the relationship between firm growth and data on the characteristics of the firm and characteristics of the owner/manager.

5. Findings from the research

The study sample consisted of 523 SMEs of which 25.4 percent were located in Lagos, 21.8 percent in Ibadan, 20.3 percent in Abuja, 16.4 percent in Anambra and 16.1 percent in Kaduna. The typical respondent was male (74.8 percent) aged 31-40, with at least a secondary school level of education. Majority of the firms in the sample had previous experience as owner/managers of previous businesses and professional experience (for example doctors, lawyers, teachers and accountants). The result also shows that majority of the owner/managers in the survey were driven to set-up their business by financial motives, the desire to be independent and job satisfied. SMEs in the survey were seen to be disproportionately concentrated in the service sector, commerce sector, and manufacturing sector. It was also observed that a high percentage of the SMEs had sole proprietorship status (68.3 percent). The result shows the average SME was 6-10 years, employing between 1-10 employees (62.3 percent). This result indicates that the overwhelming majority of these firms are very small.

5.1. Firm characteristics and their influence on firm growth. Table 1 below shows that all the variables in this section were found to have a statistical significant association with growth of the firm. The variables with the highest significant association with growth was the size of the firm, with a Cramer's V value of .511, firm sector (.338) and firm age (.325).

Table 1. Firm characteristics and their influence on firm growth

| Characteristics of the firm | Chi-square | d.f. | Cramer's V | P |
|-----------------------------|------------|------|------------|------|
| Legal status | 38.490 | 4 | .000 | .193 |
| Age | 108.975 | 8 | .000 | .325 |
| Sector | 118.558 | 16 | .000 | .338 |
| Size | 270.694 | 12 | .000 | .511 |

5.1.1. Firm legal status and its influence on the growth of the firm. The result in Table 2 below shows that firms with limited liability status were seen to be more likely to grow than the sole proprietorship or partnership (see, for example, Kelleberg and Leicht, 1991; Freedman and Godwin, 1994; Harhoff et al., 1998; Stiglitz and Weiss, 1981; Reynold and Miller, 1988). Growth can also be observed among sole proprietorships (see, for example, Curran and Stanworth, 1973). Firms in this group represent a high proportion in the increased category.

Table 2. Firm legal status and its influence on firm growth

| Legal status | Decreased/ remained the same | Increased slightly | Increased greatly | Total |
|---------------------|------------------------------------|-----------------------|----------------------|--------------|
| Sole proprietorship | 93 (17.9%) | 190 (36.6%) | 70 (13.5%) | 353 (68.0%) |
| Partnership | 8 (1.5%) | 30 (5.8%) | 9 (1.7%) | 47 (9.1%) |
| Limited liability | 13 (2.5%) | 51 (9.8%) | 55 (10.6%) | 119 (22.9%) |
| Total | 114 (22.0%) | 271 (52.2%) | 134 (25.8%) | 519 (100.0%) |

5.1.2. Firm age and its influence on the growth of the firm. Table 3 below shows the majority of the firms in the "increased greatly" category are firms of 6 years and over. The data generally show that the older firms have more chance of growth than those established in recent times. The finding is consistent with the empirical result obtained by Birley and Westhead (1990), and Birch (1987).

Table 3. Firm age and its influence on firm growth

| Firm age | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|--------------------|-----------------------------|--------------------|-------------------|--------------|
| 2 years | 22 (4.3%) | 10 (1.9%) | 2 (.4%) | 34 (6.6%) |
| 3-5 years | 48 (9.3%) | 81 (15.7%) | 16 (3.1%) | 145 (28.0%) |
| 6-10 years | 20 (3.9%) | 111 (21.5%) | 48 (9.3%) | 179 (34.6%) |
| 11-16 years | 19 (3.7%) | 52 (10.1%) | 37 (7.2%) | 108 (20.9%) |
| 16 years and above | 3 (.6%) | 17 (3.3%) | 31 (6.0%) | 51 (9.9%) |
| Total | 112 (21.7%) | 271 (52.4%) | 134 (25.9%) | 517 (100.0%) |

5.1.3. Firm industrial sector and its influence on the growth of the firm. Table 4 below shows that the firms in the commerce (wholesale and retail trade), agriculture, service sectors and manufacturing sectors had more representation in the increased category. Firms in the other service sectors were seen to have the highest representation in the “decreased and remained the same” category. The statistical test shows an association between the firm sector and growth, with a Cramer’s V value of .338 (see Storey, 1994).

Table 4. Firm industrial sector and its influence on the growth of the firm

| Industrial sector | Decreased/ remained the same | Increased slightly | Increased greatly | Total |
|---|------------------------------------|-----------------------|----------------------|-----------------|
| Agriculture | 1 (.2%) | 17 (3.3%) | 13 (2.5%) | 31 (6.6%) |
| Mining and quarrying | 1 (.2%) | 8 (1.5%) | 5 (1.0%) | 14 (2.7%) |
| Manufacturing | 5 (1.0%) | 38 (7.3%) | 31 (6.0%) | 74 (14.3%) |
| Commerce (wholesale, retail trade) | 25 (4.8%) | 86 (16.6%) | 19 (3.7%) | 130 (25.0%) |
| Construction | 3 (.6%) | 17 (3.3%) | 12 (2.3%) | 32 (6.2%) |
| Services (tourism, hotel, restaurant) | 2 (.4%) | 13 (2.5%) | 12 (2.3%) | 27 (5.2%) |
| Services (transport and storage) | 4 (.8%) | 13 (2.5%) | 13 (2.5%) | 30 (5.8%) |
| Services (information technology) | 4 (.8%) | 25 (4.8%) | 12 (2.3%) | 41 (7.9%) |
| Other services | 69 (13.3%) | 54 (10.4%) | 17 (3.3%) | 140 (27.0%) |
| Total | 114 (22.0%) | 271 (52.2%) | 134 (25.8) | 519 (100.0%) |

5.1.4. Firm size and its influence on the growth of the firm. The size of the SMEs in the survey was measured by the total number of full-time employees, including the owner/managers. Firms employing 1 to 10 people were seen to have a high representation in “remained the same or decreased” category. In addition, firms employing 11 and above employees have the highest proportion in the increased category. The result clearly reflects that the higher the number of employees is, the more likely a firm is to grow (see, for example, Audretsch and Klepper, 2000; Sutton, 1997; Caves, 1998; Westhead, 1995).

Table 5. Firm size and its influence on firm growth

| Firm size | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|--------------|--------------------------------|-----------------------|----------------------|----------------|
| 1-5 | 88 (17.0%) | 97 (18.7%) | 7 (1.4%) | 192 (37.1%) |
| 6-10 | 19 (3.7%) | 95 (18.3%) | 15 (2.9%) | 129 (24.9%) |

| | | | | |
|------------|-------------|-------------|-------------|-----------------|
| 11-15 | 3 (.6%) | 41 (7.9%) | 16 (3.1%) | 60 (11.6%) |
| 16-20 | 0(.0%) | 15 (2.9%) | 22 (4.2%) | 37 (7.1%) |
| 21-30 | 2 (.4%) | 6 (1.2%) | 18 (3.5%) | 26 (5.0%) |
| 31-50 | 0 (.0%) | 7 (1.4%) | 22 (4.2%) | 29 (5.6%) |
| Over 50 | 1 (.2%) | 10 (1.9%) | 34 (6.6%) | 45 (8.7%) |
| Total | 113 (21.8%) | 271 (52.3%) | 134 (25.9%) | 518 (100.0%) |

5.2. Owner/manager characteristics and their influence on firm growth. Table 6 below summarizes the results in relation to the owner/manager characteristics. The owner/manager characteristics which had the highest association with growth were age of the owner/manager with a Cramer’s V of .436 and motivation 5 (helping to create employment in Nigeria) with a Cramer’s V of .453. Gender and motivation 3 (job satisfaction) showed no association with firm growth with Cramer’s V value of .060 and .031 respectively.

Table 6. Owner/manager characteristics and their influence on firm growth

| Characteristics of the owner/manager | Chi-Square | d.f. | P | Cramer’s V |
|--|------------|------|------|------------|
| Age of owner/manager | 197.406 | 10 | .000 | .436 |
| Educational qualification | 53.239 | 10 | .000 | .227 |
| Previous experience | 80.401 | 8 | .000 | .279 |
| Gender | 1.869 | 2 | .393 | .060 |
| Motivation 1 (desire to be independent) | 9.093 | 2 | .011 | .132 |
| Motivation 2 (financial motives) | 31.624 | 2 | .000 | .247 |
| Motivation 3 (job satisfaction) | .496 | 2 | .780 | .031 |
| Motivation 4 (self fulfilment) | 21.847 | 2 | .000 | .205 |
| Motivation 5 (employment creation) | 106.515 | 2 | .000 | .453 |

5.2.1. Age of the owner/manager and its influence on the growth of the firm. The cross tabulation of the age of the owner/manager with turnover growth in Table 7 below shows that firms owned/managed by younger owner/manager of 25 and under and 26-30 were seen to have a high representation in the “decreased and remained the same” category. Firms owned/managed by people in the 31-40; 41-50 and 51-60 age groups have a high representation in the “increased greatly” and “increased slightly” categories. Furthermore, it can be seen that none of the owner/managers in the 60 and above age group have any representation in the “decreased or remained the same” category, with all of them reporting a slight or great increase. Thus the overall pattern is clearly in favor of the middle-age or older owner/manager (see William, 1987; Burns, 2001).

Table 7. Age of owner/manager and its influence on firm growth

| Age | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|--------------|-----------------------------|--------------------|-------------------|--------------|
| 25 and under | 20 (3.9%) | 17 (3.3%) | 4 (.8%) | 41 (7.9%) |
| 26-30 | 59 (11.4%) | 44 (8.5%) | 5 (1.0%) | 108 (20.8%) |
| 31-40 | 19 (3.7%) | 115 (22.2%) | 21 (4.0%) | 155 (29.9%) |
| 41-50 | 12 (2.3%) | 66 (12.7%) | 55 (10.6%) | 133 (25.6%) |
| 51-60 | 4 (.8%) | 26 (5.0%) | 43 (8.3%) | 73 (14.1%) |
| Above 60 | 0 (.0%) | 3 (.6%) | 6 (1.2%) | 9 (1.7%) |
| Total | 114 (22.0%) | 271 (52.2%) | 134 (25.8%) | 519 (100.0%) |

5.2.2. Gender of the owner/manager and its influence on the growth of the firm. From the results of the cross tabulation in Table 8 below, there does not appear to be any significant difference between the growth of the firms run by men and women. The findings show that both men and women have the ability to run business and experience at the same growth level.

Table 8. Gender of owner/manager and its influence on firm growth

| Gender | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|--------|-----------------------------|--------------------|-------------------|--------------|
| Male | 91 (17.5%) | 200 (38.5%) | 98 (18.9%) | 389 (75.0%) |
| Female | 23 (4.4%) | 71 (13.7%) | 36 (6.9%) | 130 (25.0%) |
| Total | 114 (22.0) | 271 (52.2%) | 134 (25.8) | 519 (100.0%) |

In addition, the size of the firms run by female owner/managers is not as small as was expected, considering the initial representation of this firm (25.2 percent). Less than a quarter of the firms run by the female owner/managers in the sample were in 1 to 5 size group, with more women employing more than 5 persons (see Table 9 below). This finding contradicts many studies who have often cited that firms run by female owner/managers tend to be smaller and are less likely to grow than those run by male owner/managers (see Cooper et al., 1994; Cliff, 1998).

Table 9. Gender of the owner/manager and the number of employees

| Number of employees | Male | Female | Total |
|---------------------|-------------|-----------|-------------|
| 1-5 | 160 (30.7%) | 35 (6.7%) | 195 (37.4%) |
| 6-10 | 93 (17.8%) | 37 (7.1%) | 130 (24.9%) |

| | | | |
|---------|-------------|-------------|--------------|
| 11-15 | 38 (7.3%) | 22 (4.2%) | 60 (11.5%) |
| 16-20 | 27 (5.2%) | 10 (1.9%) | 37 (7.1%) |
| 21-30 | 17 (3.3%) | 9 (1.7%) | 26 (5.0%) |
| 31-50 | 20 (3.8%) | 9 (1.7%) | 29 (5.6%) |
| Over 50 | 35 (6.7%) | 10 (1.9%) | 45 (8.6%) |
| Total | 390 (74.7%) | 132 (25.3%) | 522 (100.0%) |

5.2.3. Education of the owner/manager and its influence on the growth of the firm. The result in Table 10 below shows a sharp difference between owner/managers who have obtained different levels of formal education; firms run by owner/managers with secondary level education were more likely to grow than it would be expected. The result also shows that firms run by owner/managers with diplomas, university degrees and professional qualifications had a high propensity for growth compared to all the other firms (see, for example Watkins et al., 2003; Storey, 1994). Firms run by owner/managers with primary level education showed the least propensity for growth.

Table 10. Educational level of owner/manager and its influence on firm growth

| Education | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|--------------|-----------------------------|--------------------|-------------------|--------------|
| Primary | 8 (1.5%) | 19 (3.7%) | 4 (.8%) | 31 (6.0%) |
| Secondary | 70 (13.5%) | 141 (27.2%) | 44 (8.5%) | 255 (49.2%) |
| Diploma | 23 (4.4%) | 51 (9.8%) | 40 (7.7%) | 114 (22.0%) |
| Degree | 7 (1.4%) | 32 (6.2%) | 19 (3.7%) | 58 (11.2%) |
| Postgraduate | 4 (.8%) | 20 (3.9%) | 7 (1.4%) | 31 (6.0%) |
| Professional | 2 (.4%) | 7 (1.4%) | 20 (3.9%) | 29 (5.6%) |
| Total | 114 (22.0%) | 270 (52.1%) | 134 (25.9%) | 518 (100.0%) |

5.2.4. Previous experience of the owner/manager and its influence on the growth of the firm. Table 11 below reveals that owner/managers in the category most likely to be growing have prior SME experience as owner/managers (Storey et al., 1989). The second highest proportion of the growth of firms was for those owner/managers who had professional experience such as doctors, engineers, teachers, accountants. The result shows that unskilled manual labor had the least growth propensity. In addition owner/managers who were unemployed before going into business were seen to have a high representation in the “decreased and remained the same” category (Storey, 1994).

Table 11. Previous experience of owner/manager and its influence on firm growth

| Previous experience | Decreased/remained the same | Increased slightly | Increased greatly | Total |
|----------------------|-----------------------------|--------------------|-------------------|--------------|
| Prior SME experience | 16 (3.1%) | 86 (16.6%) | 73 (14.1%) | 175 (33.8%) |
| Professional | 16 (3.1%) | 68 (13.2%) | 33 (6.4%) | 117 (22.6%) |
| Skilled manual | 38 (7.4%) | 38 (7.4%) | 13 (2.5%) | 89 (17.2%) |
| Unskilled manual | 8 (1.5%) | 21 (4.1%) | 2 (.4%) | 31 (6.0%) |
| Unemployed | 36 (7.0%) | 57 (11.0%) | 12 (2.3%) | 105 (20.3%) |
| Total | 114 (22.1%) | 270 (52.2%) | 133 (25.7%) | 517 (100.0%) |

5.2.5. *Motivation of the owner/manager and its influence on the growth of the firm.* The result in Table 12 below shows that owner/managers who were motivated to start their business by a need to create employment in Nigeria, finance and self-fulfillment had more propensities to run growth oriented firms. Financial motivation is supported by Schumpeter's view. Schumpeter stated that the primary motivation of business ownership is to make profit (Schumpeter, 1934).

Table 12. Motivation of owner/manager and its influence on firm growth

| Motivation for firm set-up | | Decreased/ remained the same | Increased slightly | Increased greatly | Total |
|----------------------------|--|------------------------------|--------------------|-------------------|-------|
| 1. | Desire to be independent | 75 | 190 | 74 | 339 |
| 2. | Financial motives | 79 | 150 | 46 | 275 |
| 3. | Job satisfaction | 67 | 168 | 84 | 319 |
| 4. | Self fulfillment and attractive life style | 21 | 106 | 30 | 157 |
| 5. | Helping to create employment in Nigeria | 19 | 101 | 106 | 226 |

6. Hypotheses testing

Hypothesis 1: There is significant relationship between the age of the owner/manager and the level of growth attained; consequently, firms run by younger owner/managers tend to have a higher growth probability than those run by their older counterparts.

Hypothesis 1 was confirmed, the statistical test shows a significant association between growth of the firm and the age of the owner/manager. The second part of Hypothesis 1 is not confirmed, as the result of the cross-tabulation (see Table 7 above) revealed that growth was noticed more in middle-aged and older owner/managers. Our finding here

contradicts the work of various writers (see, for example, Storey, 1994).

Hypothesis 2: There is significant relationship between the gender of the owner/manager and firm growth; male owned/managed firms exhibit higher growth than female-owned/managed firms.

Hypothesis 2 is not confirmed. The statistical test shows that the relationship between gender and growth is not statistically significant indicating that gender does not have an effect on business performance. Thus, the finding here maintains the argument that gender is not among the factors influencing the growth of SMEs (Barkham, 1992; Storey, 1994). Our finding rejects earlier empirical result by Cooper et al. (1994) and Cliff (1998).

Hypothesis 3: There is significant relationship between the educational qualification of the owner/manager and the level of growth attained; growth is higher in firms where the owner/manager has a college or university degree.

Hypothesis 3 was supported in all respects. The statistical test shows a significant relationship between educational qualification of the owner/managers and the growth of the firm. In addition, the result of the cross tabulation (see Table 10 above) showed that the higher the educational qualification of the owner/manger is, the higher the level of growth attained appears to be. The finding here supports past empirical work by various writers (see, for example, Watkins et al., 2003; Cooper et al., 1992; Storey, 1994).

Hypothesis 4: There is significant relationship between owner/managers motivation for going into business and firm growth; growth is influenced by the owner/managers motivation for going into business particularly with regards to finance.

The result of the empirical study relating to this hypothesis showed a strong relationship between the motivation of the owner/manager and the firm growth. The motivation of the owner/manager which had the strongest relationships with growth was helping to create employment, finance, and self-fulfillment in Nigeria. This finding supports previous work by Janssen (2002).

Hypothesis 5: There is significant relationship between the previous experience of the owner/manager and firm growth; growth is positively influenced by previous experience of the owner/managers, particularly those who have prior SME experience.

Hypothesis 5 was supported. The statistical test shows that previous experience of the owner/manager was found to be significantly

associated with the growth of the firm; this finding contradicts that of Brush and Changati (1998) who found no association between prior experience and growth. From the results therefore it can be concluded that owner/managers who had prior SME employment were more likely to run growth oriented firms. The finding here contradicts that of Kalleberg and Leicht (1991) who found no link between prior SME experience and firm growth. It however supports the findings by Storey (1998).

Hypothesis 6: There is significant relationship between the age of the firm and the level of growth attained; firm growth decreases with firm age.

The first part of Hypothesis 6 relating to the age of the firm is confirmed by the statistical test which shows a significant association between firm age and firm growth. The second part of Hypothesis 6 is not confirmed, as our result reveals that older firms have a higher propensity for growth than their younger counterparts (Birley and Westhead, 1990; Birch, 1987). Our finding here contradicts that of other researchers who have postulated that younger firms grow faster than older ones (see, for example, Storey, 1994; Stokes, 1995).

Hypothesis 7: There is significant relationship between the size of the firm and the level of growth attained; firm growth increases with firm size.

The first part of Hypothesis 7 is confirmed by the statistical test; the size of the firm has a significant association with growth. The second part of Hypothesis 7 is also confirmed, the results of the cross tabulation clearly reflect that the firms with larger numbers of employees have more representation in the increased category (see Table 5 above). Our finding here is supported by various past studies on firm size (see, for example, Audretsch and Klepper, 2000; Sutton, 1997; Caves, 1998; Westhead, 1995).

Hypothesis 8: There is significant relationship between the legal status of the firm and the level of growth attained; incorporated firms have higher growth rate than unincorporated firms.

The statistical test shows an association between growth and the legal status of the firm. The second part of Hypothesis 8 is partially supported, whilst the finding confirms that the limited liability firms were seen to have a high growth propensity (Freedman and Godwin, 1994; Kalleberg and Leicht, 1991). There was also confirmation from the cross tabulation (see Table 2 above) that sole proprietorship legal forms are also seen to be more likely to grow than would have been expected (Curran and Stanworth, 1973).

Hypothesis 9: There is significant relationship between a firm's industrial sector and the level of growth attained.

The statistical test shows an association between the firm's industrial sector and growth. Our finding here is supported by various empirical results on firm sector and growth (see, for example, Westhead and Birley, 1993a; Storey, 1994). The finding however contradicts empirical results obtained by other researchers who found no significant association between firm sector and firm growth (see, for example, Barkham, 1992; Storey et al., 1987; Hakim, 1989; Macrea, 1991).

Conclusion

Whilst there are numerous studies carried out on the influence of the owner/manager and firm characteristics on the growth of the firm, most of them tend to concentrate on firms in developed countries, very little is available on the influence of these factors on SMEs on the African continent and even less so on SMEs in Nigeria. This paper has sought to fill this gap, by testing the influence of nine owner/manager and firm characteristics on turnover growth of SMEs in Nigeria. Our result shows that SME growth is only influenced by certain owner/manager characteristics, namely: age, level of education, previous experience, and three motivational variables (finance, employment creation, and self-fulfillment). Owner/manager characteristics such as gender and two motivational variables (desire to be independent and job satisfaction) were found not to have an influence on the growth of the firm. Our result also shows that all the firm variables have an effect on the growth of the firm.

The pattern which therefore emerges from our finding is that men and women have the same propensity to run growth oriented firms, middle-age and older owner/managers tend to run more growth oriented firms. The higher the level of education attained by the owner/manger, the higher the likelihood of growth is. Owner/managers with prior SME or professional experience run more growth oriented firms. Owner/managers driven by financial reasons and those driven by a need to create employment tend to own/manage growing firms. In addition, limited liability firms and sole proprietorships were associated with growth; larger and older firms have higher propensity for growth than smaller or newer firms; the industrial sector a firm operates in has an association with the level of growth the firm attains.

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