BUSINESS OWNERS' ATTITUDE: A DETERMINANT OF SMALL AND MEDIUM ENTERPRISES' SURVIVAL IN DEVELOPING ECONOMY

Akinbode, J. O., Azeez, F. O. and Isihak, A.
Dept of Business Administration, Federal Polytechnics Offa, akinbodejo@gmail.com
08056659480

Abstract
The rate of small and medium enterprises failure continues to be one of the most contending issues in the business circle of many developing economies around the world. It was against this backdrop that this study investigated the role business owners' attitude has played in determining SMEs survival in developing economy. To achieve the objective of the study, exploratory survey design was adopted with former employees of SMEs in Lagos metropolis. Findings from the five propositions revealed that positive risk taking attitude of business owners would lead to enterprise survival than negative risk taking attitude. Business owners' attitude towards employees had a statistically significant effect on enterprise survival; strong relationship exist between entrepreneurial attitude of business owners and enterprise survival; strong relationship exist between business owners' financial management attitude and enterprise survival and business owners' attitude towards customers contribute to enterprise survival. It was concluded that positive business owners' attitude will go a long way to forestall the high rate of SMEs failure in developing economies. The paper recommended a change of attitude on the part of business owners in developing countries to forestall incidence of business failure.
Keywords: Attitude, Business owner, Developing economy, Enterprise survival

Introduction
Businesses around the world exist for purposes which range from provision of goods and services profitably for the sustenance of human race. This makes businesses to have remained the pivotal to the development of any nation's economy; especially in the areas of employment generation, source of income to individual and government among others. However, many of these businesses in different parts of the world have failed due to many challenges. One of the reasons for the failure is perceived as the poor attitude of business owners to business activities which is believed to have been responsible for increased cases of business failure in many developing countries.

The finding of Lobos and Szewczyk's (2012) study on Poland's economy reveals an increase in business failure among the 275,3 thousand economic entities that commenced their business activity in 2009, 77% were active until at least the end of 2010. Adeniran and Johnston's (2011) study in Africa, specifically South Africa reveals that SMEs failure rate was between 70% and 80% while Adcorp (2012) claims that around 440,000 small businesses have closed down in the last five years in South Africa. The trend is not different in Nigeria as many businesses have been challenged by numerous hiccups which made many of them to have failed. For instance, Manufacturers Association of Nigeria (MAN) in 2016 reported that 272 member businesses closed down in Nigeria. This figure does not capture non-members businesses of MAN especially those firms that are small and medium businesses. What comes
to mind is the hostility of business environment. However, not all the closure of businesses can be attributed to hostile environment. Many were as a result of other factors such as business owners’ attitude. Studies have identified variations in the attitude of business owners' towards other stakeholders (i.e. employees, customers, among others) in the business and issues such as risk taking, financial management, among others as contentious.

To start with, a crucial factor in business continuity has to do with entrepreneurial attitude of the business owners which is closely associated with risk taking is at low ebb, so also are the business owners' attitude to employees and customers. Aside the above, the attitudes of business owners to financial management have also been of interest to many stakeholders of business. It is imperative to investigate business owners' attitude as a determinant of SMEs survival. This study therefore investigated how business owners' attitudes have affected the survival of small and medium enterprises in Nigeria.

**Business Owners' Attitude**

Enterprise is any legitimate organized human activities engaged in by men or women to satisfy the need of others and at the same make profit. *It can be said to be* any economic activity or entity that engaged in industry, agri-business and services, whether single proprietorship, partnership or corporate venture. From the definitions, it is obvious that one of the leading objectives of an enterprise is to survive.

Enterprise survival (ES) has been conceptualised in different context with reference to the extent to which objective of setting up the business have achieved. Akinbode, Usman and Jatto (2017) describe enterprise survival in relation to the length of time a business has been operating and achieving the essence of its existence. In the view of Akindele, Oginni and Omoyele (2012), enterprise's survival entails the ability of a firm to continuously be in operation despite various challenges. By implication, the inability of enterprise to survive implied any of or a combination of the following; expenses tend to exceed the incomes, overt possibility of bankruptcy that can lead to eventual closure of the business. This description of enterprise's survival can be anchored on the owner's right attitudes to business inputs. However, many business owners do not have the right attitude to achieve and sustain businesses; whereas in order to drive business, owners of business must display the right attitude for the business to stand the test of time profitably. Business owners often prefer to be in charge of their businesses; as such, they perform so many operational tasks and management functions themselves, (Kirsten, 2013). Arendt and Brettel's (2010) study identify attitude as determinant of managers' behaviour.

Ajzen (1991) describes attitude as the degree or extent to which an individual like or dislike something. It is the predisposition to respond in a general favourable or unfavourable manner with respect to the object of the attitude. Attitude may be defined as a learned disposition to behave in a consistently favourable or unfavourable way with respect to a given object, (Schiffman and Kanuk, 2000). Tesser and Schwarz (2001) describe attitude as a mental or natural state of readiness, organized through someone's experience and exerting a direct or dynamic influence on the individual's response to all objects and situations to which it is related. According to Suleiman (2013), attitude is all about individual's way of thinking, acting
and behaving. Attitude can be good (positive) or bad (negative) and this is formed through adapting the practices of colleagues.

Therefore, attitude is a mindset or a tendency to act in a particular way that reveals an individual experience and temperament. Typically, when we refer to a person's attitudes, we are trying to explain his or her behaviour. Attitudes are complex combination of things such as personality, beliefs, values, behaviours, and motivations. Attitude helps us to define how situations are viewed as well as how one reacts towards the situation, (Pickens, 2005). Basically, an attitude includes three components. These are; affect (a feeling), cognition (a thought or belief), and behaviour (an action). It provides us with internal cognitions or beliefs and thoughts about people and objects. Although the feeling and belief components of attitudes are internal to a person, it can be viewed through individual resulting behaviour. Attitudes among business owners manifest in the following areas; risk management, entrepreneurial dynamics, financial management, relationship with employees and customers among others.

Risk Management:
In the area of risk management, many of the business owners are often afraid of taking risk. What is a risk? A risk is defined as the uncertainty associated with a future outcome or event (Banks, 2004). It is therefore the ability of individual to undergo what the possible outcome is uncertain. Individuals have different tendencies to risk taking. This means that some individual will have either positive or negative attitude to risk. Douglas and Shepherd (2000) classify the types of risks along this dimension. They suggested that, a positive attitude towards risk means a relatively high tolerance for additional risk borne (i.e. a relatively low degree of risk aversion). For instance, studies such as Legohérel, Callot, Gallopol and Peters (2004) have identified risk taking attitude of business owners as variables of study. In another related study conducted by Fakoti (2014), poor attitudes of business owners towards customers was identified as one of the causes of the failure of new small and medium enterprises in South Africa. In the same vein, entrepreneurial attitude of business owners has been issues of discourse, (Bird & Schjoedt, 2009).

Entrepreneurial Dynamics:
This is described as the process of initiating something new that will add value to people. Entrepreneurs are people who introduce new combinations of factors of production, notably labour and capital. Therefore, it can be deduced from the literature that entrepreneurs are clearly self-reliant people and their ambition is undoubtedly to create a business of their own. Attempt to describe who an entrepreneur is, brought in the issue of identifying what the characteristics are. Carson, Cromie, McGowan and Hill (1995) admit that this will distinguish entrepreneurs from other groups in society. Studies have shown that entrepreneurs who succeed; possess not only a creative and innovative flair but must also possess the right attitude. A critical look at all the discussed attributes of a successful entrepreneur shows that such attributes are positive in nature and affiliated to entrepreneurs behaviour. Also, the above review shows that not all business owners are actually entrepreneur except for those who possess those highlighted attribute. Stevenson, David and Gumpert (1991) describe entrepreneurial attitude as the act of individual that pays attention on opportunities instead of resources which occurs in either small, medium or big business organization. Inyang and Enuoh (2009) argue that the business owners' entrepreneurial competency is relevant to business performance.
Entrepreneur and Financial Management:
Financial management refers to the concepts of time, money and risk and how they are interrelated, (Gitman 2011). At the individual's level, financial management involves tailoring expenses according to the financial resources of the business. Therefore, financial management attitude of business owner implied the practices of business owners in the areas of cash management, expenses in business among others. Ajzen and Fishbein's (1980) theory of Reasoned Action (TRA) explains the need for understanding the relationship between individual attitudes and behaviours such as that of business owners towards other stakeholders in business. The theory assumed that individuals are usually quite rational in reacting with people and issues. It poses the question whether people consider the implications of their actual behaviours before they decide to engage or not engage in it. It was based on this assumption that Ajzen and Fishbein (1980) developed this theory that could predict and understand behaviour and attitudes. Business owners' attitude toward business operations and activities is determine by his/her believe that the behaviour will be positive or negative, (Ajzen 2001; Armitage and Conner 2001). In this context, business owners' attitude could be positive or negative and would determine the continuity of business or otherwise.

A number of studies have discussed financial management practices and businesses (Ishak, Omar & Ahmad, 2012; Orobia, Warren & John, 2013; Abanis, Arthur & Derick, 2013). It was established that financial management practices go along in determining the prosperity of business enterprise. According to Peel (1996) and Padachi (2006), financial management practices most particularly as they affect the working capital management has a strong effect on the firms' profitability. The unbecoming attitude of business owners to financial management contribute immensely to the enterprise's survival, (Abanis et al., 2013). Ishak et al's (2012) argument that financial management which is required for the sustainability and growth of business remains one of the biggest problems confronting several small businesses, as poor financial management practice has been identified as one of the reasons for small business failures (McMahon and Holmes, 1991). Based on the above positions, Figure 1 hypothesised the perceived relationship between business owner's attitude and the enterprise survival in developing economy.

Entrepreneur-Customer Relations:
Customer relationship is important to this discourse. This concept has been conceptualised in many ways such as developing relationships (loyalty), maintaining relationships (interaction) and creating relationships (attraction), (Izquierdo, Cillan & Gutierrez, 2005). Businesses exist to satisfy the needs of the customers. Thus customer relationship is pivotal and is one of the critical inputs of enterprise survival. Business owner must relate properly with the customers to earn their loyalty and continued patronage, (Mentzer, 2001). Positive attitude is what the business owners required to earn long term relationships with their customers, (Bhutta, Rana & Asad, 2007). Aside this, in order to remain in business profitably, Min and Mentzer (2004) suggest that close and good customer relationship is relevant.

Entrepreneur-Employees Relations:
Employees are among businesses most important resources and it has been acknowledged as the most valuable assets by notable authors such as Xesha, Iwu, Slabbert and Nduna (2014),
Selmier and Travis (2013), Bhattacharya, Sen, and Korschun (2012). The importance of cordial relationship between business owner and employees cannot be overemphasized, (Kar, Sharma & Borah, 2011). Many business owners have poor attitude towards their employees; forgetting that if there is unhealthy relationship between them and their employees, such employees will be unhappy and very likely to be unproductive (Waggoner, 2013). Vickers, James, Smallbone, and Baldock (2005) argue that paternalistic attitude of business owners towards employees will go a long way to sustain business. Through this paternalistic approach, employee’s sense of business ownership is always enhanced and this often guarantees enterprise survival.

In a recent survey of the relationship between personality traits and business success, Rauch and Frese (2007) conclude that the effects of risk taking on entrepreneurial success is rather small, and that, this trait does not necessarily increase the success probability. Bhunia (2012) examines the relationship between default behaviours of SMEs and the credit facets of their owners. Identifying and measuring credit risk of SMEs should be different from that of large firms because SMEs appear to be influenced by their owners more directly and significantly. So, a more appropriate and effective way of credit management of SMEs could be applied in practice.

When owner/managers of SMEs are more entrepreneurial minded in the introductory and decline stages of growth, their performance tend to be higher, and the same is true for the growth and maturity stages when they are more administratively minded. This suggests that owner managers need to become more entrepreneurial oriented in their strategies and actions in order to achieve better performance in the introductory and decline stages. In a study conducted by Xcsfa, Iwu, Slabbert and Nduna (2014) on employer-employee relationship on business growth, it was discovered that business owners shared a positive notion that relationships play an important role towards their business growth. The study highlighted the critical role played by positive employer-employee relationships towards business success.
Methodology
The present study adopted exploratory survey design. This design involves the collection of data on the current status of the research problem. To achieve the purpose of the study, individuals who were working in SMEs were considered as the population of the study. This is done for the purpose of getting the true information on the status of the business.

The population of this study is made up of all former employees of failed SMEs in Lagos metropolis, Nigeria. It is an infinite population due to the inability to access them at a point. Based on the nature of the population, convenience sampling was used to select samples for the study by asking first about their previous engagement in either small or medium enterprise as an employee. In all, seventy-six (76) former employees of SMEs participated in the survey across the metropolis. The major tool used in collecting data in this research is questionnaire. The choice of questionnaire was informed by the need to simplify issues for quick response. The
questionnaire was divided into six (6) sections (i.e. Sections A - F). 'Section A' captures respondent's demographic characteristics. The independent construct in this study is, 'business owners' attitudes'. They are captured in relation to the dependent variable 'enterprise survival' in sections B – F. The responses were measured using a 5-point scale of Likert (Strongly agree, agree, undecided, disagree and strongly disagree).

The research questions and hypotheses formulated for the study guided the process of data analysis. Hypotheses were analyzed with Regression and Pearson Product Moment Correlation Coefficient (r-test).

Results and Interpretations

Table 1 shows that out of the eighty-one (81) questionnaires distributed to former employees of SMEs for the study, only seventy-six (76) were found usable for the analysis.

Table 1: Summary of the questionnaires completed and analysed

<table>
<thead>
<tr>
<th>S/N</th>
<th>Participants</th>
<th>Enterprise Size</th>
<th>Completed Questionnaire</th>
<th>Copies of Questionnaire Used for analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Small Business</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Medium Business</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>81</strong></td>
<td><strong>76</strong></td>
</tr>
</tbody>
</table>


Test of Hypotheses

Hypothesis 1: H_0: Business owners' negative risk-taking attitude will lead to enterprise survival
H_1: Business owners' positive risk-taking attitude will lead to enterprise survival

Table 2: Perception of the respondents on whether negative/positive risk taking attitude can lead to enterprise's survival

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive risk taking</td>
<td>456.21</td>
<td>66</td>
<td>6.91</td>
<td>0.57</td>
<td>.000</td>
</tr>
<tr>
<td>Negative risk taking</td>
<td>121.10</td>
<td>10</td>
<td>12.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>577.31</td>
<td>76</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The result as presented in Table 2 shows that positive risk taking attitude of business owners would lead to enterprise survival than negative risk taking attitude. This implied that the null hypothesis is rejected while the alternate is accepted. That is, business owners' positive risk-taking attitude will lead to enterprise survival.
Hypothesis 2: H₀: Business owners' attitude towards employees does not have effects on enterprise survival  
H₁: Business owners' attitude towards employees has effects on enterprise survival

Table 3: Results of the effects of business owners' attitude towards employees on enterprise's survival

<table>
<thead>
<tr>
<th></th>
<th>Unstandardised Coefficient</th>
<th>Standardized Coefficient</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.385</td>
<td>.100</td>
<td>3.870</td>
<td>.000</td>
</tr>
<tr>
<td>Business owners' attitude towards employees</td>
<td>.513</td>
<td>.111</td>
<td>.601</td>
<td>4.443</td>
</tr>
</tbody>
</table>

Predictors: (Constant) Business owners' attitude towards employees  
Dependent Variable: Enterprise survival

The results in Table 3 show that business owners' attitude towards employees had a statistically significant effect on enterprise's survival. This is shown in the standardized regression coefficient (β) value of business owners' attitude towards employee which was β=.601 which was highly statistically significant (p-value=.000). The null hypothesis that business owners' attitude towards employees does not have effect on enterprise survival does not hold. Therefore, the alternate hypothesis which states that business owners' attitude towards employees have effect on enterprise survival is here by accepted.  
Hypothesis 3: H₀: There is no significant relationship between entrepreneurial attitude of business owners and enterprise survival  
H₁: There is a significant relationship between entrepreneurial attitude of business owners and enterprise survival
Table 4: A summary model of the relationship between entrepreneurial attitudes and enterprise survival

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.622(a)</td>
<td>.565</td>
<td>.371</td>
<td>.5122</td>
</tr>
</tbody>
</table>

a. Predictor: (Constant), Entrepreneurial attitude of business owners

This result demonstrates that there is a strong relationship between entrepreneurial attitude of the business owners and the enterprise's survival and thus, support alternate hypothesis H₃, which proposed that there is a significant relationship between entrepreneurial attitude of business owners and enterprise survival.

Hypothesis 4: H₃: There is no significant relationship between business owners' financial management attitude and enterprise survival
H₄: There is a significant relationship between business owners' financial management attitude and enterprise survival.

Table 5: A summary model of the relationship between business owners' financial management attitude and the enterprise's survival.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.701(a)</td>
<td>.451</td>
<td>.353</td>
<td>.6375</td>
</tr>
</tbody>
</table>

a. Predictor: (Constant), Business owners' financial management attitude

This result demonstrates that there is a strong relationship between business owners' financial management attitude and enterprise survival and thus, support alternate hypothesis H₄ which states that there is a significant relationship between business owners' financial management attitude and enterprise survival.

Hypothesis 5:H₅: Business owners' attitude towards customers does not determines enterprise survival
H₆: Business owners' attitude towards customers determines enterprise survival

Table 6: A model summarising the business owners' attitude towards customers and enterprise's survival

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.656(a)</td>
<td>.434</td>
<td>.441</td>
<td>.5147</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Business owners' attitude towards customers
This result shows that business owners' attitude towards customers contribute to enterprise survival and thus, supports alternate hypothesis (H1). The interpretation of this finding is that business owners' attitude towards customers determines the enterprise's survival. Therefore, business owners need to be mindful of their relationship with customers. The relationship must be cordial and positive.

**Discussion of Findings**
The results of the analysis have been successfully tested empirically. The first result reveals that positive risk taking attitude of business owners will lead to SMEs survival while on the contrary, the negative risk taking attitude of business owners' will not. However, it is obvious that some of the owners were not involved in the management of the businesses. The concept of business owner-manager is therefore presented. Also, finding was in support of the position of Fatoki (2014) which identifies the attitude of entrepreneurs towards risk taking as a major determinant of enterprise's survival.

Similarly, the study establishes that business owners' attitudes towards employees have effects on the enterprise's survival. This view supports the claim of Waggoner (2013) that, poor attitude of employer towards the employees would lead to business failure as well as that of Vickers et al (2005) which argue that paternalistic attitude of business owners towards employees will go a long way to sustain business. Furthermore, another finding of the study shows that there was a significant relationship between entrepreneurial attitude of business owners and enterprise survival. This corroborates the findings of Bird and Schjoedt (2009) and Kuratko et al (2005) which establish that entrepreneurial attitudes of business owners contribute to the survival of businesses especially the SMEs. Our findings on the business owners' financial management attitudes indicate that, this significantly contributes to enterprise's survival. This was the position of Abanis et al (2013) that the unbecoming attitude of business owners to financial management contributes immensely to business failure. It was further established that business owners' attitude towards customers determines the enterprise's survival. This position agrees with the findings of Fatoki (2014) which establishes that poor attitudes of business owners towards customers were identified as one of the causes of the failure of new small and medium enterprises.

**Conclusions**
Positive attitude of business owners to different business stakeholders and variables will go a long way in sustaining enterprise's survival. Results of the study have shown the extent to which the issues examined can influence enterprise's survival or non-survival. Precisely, all the five proxies of business owners' attitude considered in the study have relationships with the business chances of survival. Therefore, positive entrepreneurial attitudes are required to drive business especially where competition and uncertainties are high. This study therefore concludes that business owners should be sensitive to the interest of other stakeholders in business. They might be the owner of the business; other stakeholders also play very important roles in the survival of the business. They are partners in progress and should be accorded due regards in the affairs of the business.

**Recommendations**
Based on the findings from the study, the following recommendations were outlined:
1. Business owners must appreciate that risk taking is inevitable in business however they must take reasonable risk because this is the only way through which their business could stand the test of time.

2. It is also required of business owners to continuously seek ways through which their services and products would be improved. Also, they must continuously review their work processes to eliminate wastages.

3. Owners of business must promote cordial relationship with their employees as their first customers. Employees' happiness will go a long way in promoting enterprise survival. Business owners are therefore advised to have positive attitude towards their employees.

4. Friendly relationship with customers is also what business owners must appreciate. This can only be achieved through positive attitude towards the customers at all times without exception.

5. Business owners must always be prudent and sincere with their financial engagement with the business. They must separate personal spending from business spending.

Suggestions for Further Studies
The study has been carried out among employees of SMEs businesses in Lagos metropolis Southwest, Nigeria. One of the observed areas that can be considered for further study is increasing the number of participants in the study. Likewise, a larger survey can be carried out involving cosmopolitan cities in Nigeria or along geopolitical zones (South South, South East, North Central, North West and North East) of the country to observe any disparity in the attitude of business owners as it affect enterprise survival.

References


Reference as: