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A PILOT STUDY ON THE RELATIONSHIP BETWEEN SOME DETERMINANTS OF SME PERFORMANCE IN NIGERIA

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ABSTRACT

The purpose of this paper is to examine a few sample data on the relationship between some determinants of SME performance in Nigeria. A pilot study is conducted with a view of assessing the validity and reliability of the measuring instrument. Content and face validity, reliability and the data normality were examined based on expert assessment, and the data was analyzed using the statistical software SPSS version 18. The result shows that the measuring instruments are reliable and the data for pilot study indicated evidence of rational normality.

Keywords: Firm performance, Market orientation, Knowledge management, Entrepreneurial orientation, Organizational culture, Business environment, SME, Nigeria, Pilot test.

Contribution/ Originality

Based on the previous literature consulted, none of the previous research integrates the study variables of market orientation of market orientation, knowledge management, entrepreneurial orientation, business environment and organizational culture into a single framework.

The outcome of the study will add to existing body of literature and will benefit SME owner/managers, regulatory agencies such CBN, SMEDAN and will serve as a frame of future reference.

1. INTRODUCTION

Small and medium enterprises in the global economy is a major contributor to job creation, poverty alleviation, provision of goods and services in emerging economies [1], and Herath and Mahmood [2]. The study will only focus on the Nigerian SMEs. Nigeria SMEs are equally important source of capacity building and the diversification of the entire economy [1, 3]. Despite the tremendous contribution of the sector, it is characterized with some of the following problems; poor market orientation, inadequate knowledge management, poor entrepreneurial skills, lack of

succession plan, inability to separate business from family affairs, inability of procuring the right plant and machinery, inability to employ the right caliber of staff, poor management strategy, lack of patronage of locally manufactured goods, reliance on foreign goods, irregular power supply, unfavorable government policies, poor and lack of adequate water supply, inconsistent government policies, political instability, poor policy implementation [4-6].

There are numerous studies on strategic orientations and SME performance [7-12]. Suliyanto and Rahab [13] recommended a study on the relationship between market orientation and performance with the moderating variable of Business environment, and this is equally supported by Awang, et al. [14] they recommended the inclusion of external environmental factors in future entrepreneurship studies. Janepuengporn and Ussahawanitchakit [15] Recommended on the need for future study on the relationship between knowledge management and organizational performance. Zainol, et al. [16] Recommended the inclusion of organizational culture to mediate in the relationship between Entrepreneurial orientation and firm performance. Herath and Mahmood [2] suggested on the need for mediation and moderation in the relationship between strategic orientations and firm performance. In view of the above, the paper intends to use organizational culture as mediating variable and business environment as a moderating variable in the relationship between market orientation, knowledge management, entrepreneurial orientation and firm performance.

According to Gay, et al. [17] a pilot test is regarded as a trial in which a small scale of the study is conducted before the actual full scale study. A pilot study is conducted which is aimed at achieving some objectives. Validity and Reliability are the fundamental goal of a pilot test. Pilot test aimed at gathering some insight in to the real condition of the actual full scale study, which will enable the researcher to foresee and adjust to the possible problems during the full scale study. The instrument validity is seen as the extent to which the instrument is measuring what it is supposed to measure, while the reliability of a measure represents the extent to which a measuring instrument is error free and consistent across time and also across various items in the scale [18]. However, the paper presents the result of pilot test with regards to the relationship of market orientation (MO), knowledge management (KM), entrepreneurial orientation (EO), organizational culture (OC), and business environment (BE) on performance of Nigerian SMEs.

2. METHODOLOGY

According to [19-21], sample size for a pilot test is usually small ranging for fifteen to thirty respondents. Therefore, it is expected that with valid and reliable instrument there could be reduction of measurement error to a large extent. The most popular test of inter-item consistency reliability is the Cronbach's alpha coefficient. Hence, the Cronbach's alpha coefficient is employed in this study to measure the internal consistency of the instrument. After running the data using SPSS version 18 windows, it was found that all the measures possesses a high reliability standard ranging from 0.736 to 0.933. This is in concord with the benchmark that an instrument with a coefficient of 0.60 is regarded to have an average reliability [19-21].

2.1. Instrumentation and Measurement of Variables

A structured questionnaire consisting of close ended multiple choice questions are used in the pilot survey. Scales represent ways in which individuals are distinguished as to how they are different from each other on the variable of interest within a given study [18]. Despite some studies in the literature that used other scales liker, five point likert scale will provide the intended result. Previous researchers argued that using scale with mid-point provides better and accurate result [22].

The key factors contained in the study are: firm performance, market orientation, knowledge management, entrepreneurial orientation, organizational culture, and business environment respectively. The entire constructs are treated as one-dimensional variable. Section A; consist of six items that seek to measure firm performance; section B, is made up of twelve items for market orientation; section C, consist of fourteen items measuring knowledge management; section D, are items designed to measure entrepreneurial orientation; section E, contained nine items directed at measuring entrepreneurial orientation; the next section which is F, deals with items related to organizational culture about eighteen of them; section G, contains twelve measurement of business environment; and the final section is H, contains demographic information's, and only significant items that will be used in answering the research questions are included in the questionnaire, all responsive items are excluded [19].

3. RESULT OF VALIDITY AND RELIABILITY TESTS

3.1. Content and Face Validity

Content validity serve as a process of consulting small sample of expert to assess on the suitability of the items selected to measure a construct [18, 21]. Based on this, a draft of this instrument was given to the supervisor on several occasion, who is an expert in the study field, additionally, some Ph.D candidate at the University Utara, Malaysia [UUM] who are familiar with the environmental context of the study were consulted to check the clarity and the peculiarity of the instrument in Nigerian context. A total of 30 copies of questionnaire were distributed and the entire 30 copies were duly completed representing 100 percent response rate. The researcher personally distributed the questionnaires, and made explanation to the respondent on items that need additional clarification. The process took about one complete month, which was done in the month of January and February 2013.

3.2. Reliability Test

The most popular test of inter-item consistency reliability is the Cronbach's alpha coefficient. Therefore, Cronbach's alpha coefficient is employed in this study to measure the internal consistency of the instrument. After running the data using SPSS version 18 windows, it was found that all the measures possesses a high reliability standard ranging from 0.736 to 0.933. This is in concord with the benchmark that an instrument with a coefficient of 0.60 is regarded to have an average reliability; whereas a coefficient of 0.70 and above shows that the instrument has a high level of reliability [13, 15, 21]. Table 1 and 2 provides details for the result of reliability test and demographic profile of respondents.

3.3. Data Distribution

Generally, inferencial statistic method necessitates the completion of normality hypothesis [23, 24]. Normal data is one that is well balanced, well- shaped with the maximum frequency of score in the middle and small distribution toward the extreme ends. Normality can be measured by using the values of skewness and Kurtosis. Skewness as the name suggests deals with the symmetry, while Kurtosis shows the extent to which the data is at peak or flat [24]. Therefore, value of Skewness and Kurtosis determine the normality of the data.

4. CONCLUSION

The fundamental objective of this pilot study is to ascertain the validity and reliability of the measuring instrument on a smaller study before the actual full scale empirical investigation. The implication of the constructs will be fully exposed after the conduct of the main study. Content and face validity was conducted with the expert assessment of the measuring items which led toward getting the revised instruments. More so, inter-item reliability test indicated that all the items are reliable with Cronbach's Alpha above 0.7, this signifies no need of deleting any item. Finally, normality test using skewness and kurtosis shows that the entire data is rationally normal.

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Table-1. Summary of Reliability Result for the Pilot Study

Construct	No. of Items	Cronbach's Alpha
Firm performance	6	0.901
Market orientation	12	0.902
Knowledge management	14	0.881
Entrepreneurial orientation	9	0.736
Organizational culture	18	0.933
Business environment	12	0.838
Total	71	