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## BALANCED SCORECARD (BSC) AS A STRATEGIC TOOL FOR ENHANCING SUCCESS IN THE SMALL AND MEDIUM SCALE ENTERPRISES (SMES): STUDY OF TITO GATE NIG LTD IN BENUE STATE, NIGERIA

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### ABSTRACT

*The study examines the determinants of entrepreneurial success or failure. The BSC is used to measure an organization's performance from the key perspectives: the entrepreneur's level of education, previous work experiences in related trade, type of product handled and size of initial capital investment; the respondents were 50 drawn from Tito Gate Nigeria Limited in Benue State, Nigeria. Results indicated that the entrepreneur's level of education, previous work experience in related trade, type of product handled and size of initial capital investment, all influenced the entrepreneurial success or failure. The paper concludes that although these variables contributed to entrepreneurial success, the real secret on success in business lies with the entrepreneur. Possible reasons for these results as well as direction for future study is presented.*

**KEYWORDS:** *Entrepreneur's level of Education, previous work experience in related trade, type of product handled, size of initial capital investment and entrepreneurial success*

### INTRODUCTION

Various scholars have written extensively on the secret of entrepreneur's success. What is interesting is that most of the scholars who wrote about the origin of entrepreneur's success are either economists or historians. Biographies of successful entrepreneurs and businessmen, for example, reflect the tendency of the subjects of such studies to explain their success in terms of simple virtues of thrift, dedication, hard work, and clean living. As an alternative to the biographical models are those studies that turn the entrepreneur into a superman manipulating the complexities of an uncertain world with a sure and omnipotent touch (Gasse, 2003). This explains why some people become



successful entrepreneurs while others do not. Thus, emerges the notion of the 'genuine entrepreneur' whose success, is in large measure, caused by his unswerving dedication to setting high goals and reaching for them.

While there is a general consensus that the most unique aspect of entrepreneurs is that they start new enterprises, there is less than unanimous agreement as to what factors that are most important to their success or failure.

The main objective of this paper therefore, is to establish the extent to which the aforementioned variables influence entrepreneur success or failure. Given this research objective, we generate the following research questions for this study:

1. What is the relationship between entrepreneurial success and the type of product handled in SMEs sector?
2. What is the relationship between entrepreneurial success and the entrepreneur's experiences in related trade.
3. What is the relationship between entrepreneurial success and the entrepreneur's level of education
4. What is the relationship between entrepreneurial success and initial capital investment?

## **CLARIFICATION OF TERMS**

Four terms need to be defined in order to eliminate possible confusion in their interpretations:

- An entrepreneur is the person who perceives the market opportunity and then has the motivation, drive and ability to mobilize resource to meet it for the principal purpose of profit and growth.
- Broadly defined, entrepreneurship is the willingness and ability of an individual to seek out investment opportunities in an environment and be able to establish and run an enterprise successfully based on the identifiable opportunities.
- A successful entrepreneur is one who has doubled his turnover and/or asset size since the inception of his business notwithstanding the age of his business and his initial capital.
- Similarly, a business is considered a failure if it has not achieve this feat.



## **Theoretical Framework**

The focus of this section centres mainly on the generally accepted pre-requisite to success in any small business. These include: a genuine business opportunity, managerial skill and adequate capital. Other variables that could also influence entrepreneur's success such as external environment, psychological and sociological variables were intentionally omitted for future study.

### **Genuine Business Opportunity**

Product type as a variable is used to measure the contribution of genuine business opportunity to entrepreneurial success.

That is, no business can succeed or exist without a need for the products or services provided. A genuine business opportunity means a need for the proposed good or service in sufficient quality and quantity and at a high enough price to operate at a profit (Baumbach, Lawyer and Ketley, 2013). The physical characteristics, including packaging and branding, for instance, may influence the competitive structure of its market. Also, a low ratio of distribution cost to total costs tends to increase competition by widening the geographic grange over which any particular producer can compete (Brigham and Pappas, 2016).

Environment conditions such as government policies, such as ban on importation of certain goods as currently experienced in the banning of imported rice, restriction of free flow of goods or service between countries or within same country, increase in taxes, etc may also have significant effect on what goes on in a firm. Hence, defining the elements of environment will lead to the operation level of the organization and what affect it. The form and process the organization adopts at any given time is therefore determines by the degree of change in the environment.

Contingency theory strongly suggests that the style of leadership that works best depends on the situation. In other words, there is no single best way to cope with environmental changes and pressures. Hence, the stance that an entrepreneur would take is derives largely from choices that he make, according to the characteristics of the relevant environment and his dominant business ideology (Gassel, 2017). It is therefore, reasonable to assume that the domain of operation of an entrepreneur will influence his chances for success or failure.



### **Managerial Ability**

The contribution of managerial ability to entrepreneurial success is measured with the entrepreneur's level of education, and his previous work experience in related trade. The selection of the best location, determination of initial capital requirements, or the wise choice of an appropriate kind of business to engage are difficult for entrepreneurs lacking adequate and appropriate training and experience. A sound level of education will better equip the entrepreneur to cope with the problems of operating his enterprise. The entrepreneur must be versatile for example in financial management by exhibiting good accounting system. This is because finance is the life wire of any business. Also to achieve the profit objective, the entrepreneur must engage in efficient and effective financial management and have sound financial and customer focused approach. This cannot be achieved without sound education and work related experience.

George (2007) opined that one major distinguishing administrative deficiency of enterprises in developing countries like Nigeria pertains to the administrative and managerial capability of the personnel of this sector. The author affirmed the general lack of skilled managers in the developing countries to effectively pilot this sector to greater height. Cantillon (2010) also confirmed that many Nigerian indigenized enterprises experience operational challenges as a result of wide-ranging inefficiencies attributable directly or indirectly to lack of the essentials of the fundamental technology of the enterprise. This may have been responsible to the failure of such enterprises in Benue State like the defunct Benue Cement Company, Lobi Bank, Otukpo burnt bricks, Tarakwu mills to mention but a few.

Poor management has been responsible for most of the small and even medium scale business failures, even in the most advanced economies. For instance, Brockaus, S. and Horwitz (2010) reported that lack of managerial experience in competence and unbalanced experience accounted for 77 percent of small business failures in the United States of America. Qualified manpower is decisive for the success of any industrial system to take place.

### **Capital**

Insufficient capital is the most common cause of small business failures Petrof, Carusone and McDavid (2002). Capital is a powerful development tool which greases the



production channels of industry and stimulates their smooth operation. The availability of money permits entrepreneurs to gain control of the real resources which enable distributing industrial products. No business enterprise can reach its full growth potential and success without adequate capital.

The shortage of finance affects the ability of the units to install modern machinery and tools to maintain well organized and fully equipped factories, to buy and store high quality and quantity raw materials or stock their finished products, to pack their products under attractive covers and to have attractive sales organization of their own. In brief, every kind of problem whether of raw materials, power, transport or marketing faced by an entrepreneur in its ultimate analysis turns to be a problem of finance (Sanda, 2013). It is therefore reasonable to posit that capital shortage is one of the factors responsible for poor performance of indigenous enterprise. In summary, it seems that irrespective of the type of business operation the entrepreneur engages in, certain minimum level of initial capital investment must be maintained in order to be successful.

### **Method of Data Collection**

The study made use of both primary and secondary data. The main research instrument employed are the questionnaire, face-to-face interview, observation and document analysis (i.e. students research projects). The questionnaires were personally administered on the respondents by the researcher. The return response rate was 50 or 83.

### **Data Analysis Technique**

The data obtained for the study was analyzed using both descriptive and inferential statistics. The descriptive statistical tools such as percentages, frequency distribution table were used to describe data and to facilitate data analysis of chi-square ( $\chi^2$ ) through the instrumentality of SPSS software. According to Ugwuonah (2005), chi-square test is the most preferred test in social sciences. 60 questionnaires were administered, representing total number of total population sampled drawn from Tito Gate Nig Ltd in Makurdi, Nigeria out of which 50 usable questionnaires provided the data base (83% response rate).

## **RESULTS**

The analysis of our findings based on the questions raised in the preceding sections are presented below.



**Table 1: The Extent to which Type of Product Group Handled Determines Entrepreneurial Success**

Responses	Frequency	Percentage
Item		
Agree	15	30
Strongly agree	18	36
Disagree	12	24
Strongly disagree	5	10
<b>Total</b>	<b>50</b>	<b>100</b>

**Source:** Field Survey

The above table shows that 66% constituting 33 respondents agree to the fact that type of product group handled has significant influence on entrepreneurial success, while only 34% or 17 respondents has a contrary view to disagreement.

$$Df = (2-1)(4-1)$$

$$Df = 3$$

2df at 5% level of significance, chi-square ( $\chi^2$ ) = 7.81, since the ( $\chi^2_c$ ) value is greater than the 7.81 i.e.  $\chi^2 > \chi^2_c$ , the test can be assumed to be statistically significant. This provide a sufficient ground to accept the alternative hypothesis which states that type of product group is indeed of significant influence on entrepreneurial success of Tito Gate Nig. Ltd.

**Table 2: The Extent to which Entrepreneur's Experience in Related Trade Determines Entrepreneurial Success**

Response item	Frequency	Percentage
Agree	15	30
Strongly agree	20	40
Disagree	5	10
Strongly disagree	10	20
Total	50	100

**Source:** Field survey, 2018



The table above shows that of the 50 respondents sampled, 35 or 70% of them attest to the fact that previous experience in related trade is a significant determinant for entrepreneurial success, while, only 15 or (30%) of these respondents are in the disagreement category.

$$Df = (1-1) (4-1), DF = 3$$

Since the chi-square ( $\chi^2_c$ ) value is greater than the ( $\chi^2_t$ ) = 7.1 i.e.  $\chi^2_c 10 > 7.81$ , the test can assumed to be statistically significant. We therefore, reject the null hypothesis and accept the alternative hypothesis and conclude that entrepreneur's previous experience in related trade has significance influence on entrepreneurial success in Tito Gate Nig. Ltd.

**Table 3: The Extent of Relationship between Entrepreneurial Level of Education and Entrepreneurial Success**

Response item	Frequency	Percentage
Agree	15	30
Strongly agree	17	34
Disagree	14	28
Strongly disagree	4	8
Total	50	100

**Source:** Field survey, 2018

$$Df = (1-1) (4-1), Df = 3$$

Since the chi-square ( $\chi^2_c$ ) value is greater than ( $\chi^2_t$ ) = 7.81 i.e.  $\chi^2_c 8.082 > 7.81$ , the test can be assumed to be statistically significant. We therefore reject the null hypothesis and accept the alternative hypothesis and conclude that entrepreneur's level of education has significant influence on entrepreneurial success in SMEs.

**Table 4: Size of initial capital investment and entrepreneurial success**

Response item	Frequency	Percentage
Agree	16	32
Strongly agree	19	38
Disagree	9	18
Strongly disagree	6	12
Total	50	100

**Source:** Field survey, 2018



$$Df = (2-1) (4-1), Df = 3$$

Since the chi-square ( $\chi^2$ ) value is greater than the critical value i.e.  $\chi^2_{c} 273.23 > 7.81$  with degree of freedom 3 is significant. The test can be assumed to be statistically significant. We therefore reject the null hypothesis, accept the alternative hypothesis and conclude that the size of initial capital investment significantly influence the entrepreneurial success.

Based on these findings, it is pertinent to test whether the observed relationship found in our analysis is indeed strong or weak. This is achieved by measuring the strength of association between the dependent and independent variables. This is measured by applying the capital success coefficient of contingency, symbolized by 'C'.

$$C = \sqrt{\frac{\chi^2}{n-\chi^2}}$$

Where  $\chi^2$  = chi-squared calculated

It should be printed out that zero signifies a very weak relationship while 1.00 indicates a very strong relationship. That is, the closer the value of 'C' to 1.00, the stronger the relationship of the variable being considered. Applying the above formula to our findings,  $C = 0.47$ .

The result shows a weak correlation between entrepreneurial success and initial capital investment. The weak association between the two variables may be explained by the fact that within a certain scale of operation, other inputs can be substituted for capital in increasing the scale of activities of a distributive unit (Olakpanpo, 2010). A low initial capital may not hinder growth if the entrepreneur has a genuine business opportunity and a sound managerial skill.

## CONCLUSION AND RECOMMENDATIONS

This study has examined the factors influencing entrepreneurial success or failure in Benue State, Nigeria. Although our data centred mainly on entrepreneurs in Benue State, it is strongly believed that these factors may not be very different from those factors may not



be very different from those in other states or among that entrepreneurial success largely depends on such factors on genuine business opportunity – type of product handled, initial capital investment and managerial skill – level of education and previous job experience in the related trade.

We conclude therefore, that product handled, initial capital investment, level of education, and previous job experience in related trade can make success come more quickly, the real secret of business success lies with the entrepreneur.

## **RECOMMENDATIONS**

Based on the findings that plausibly emanated from this work, the researcher make the following recommendation:

1. It is not too late for intended entrepreneurs whether academics or practitioners to begin to appreciate these factors highlighted in this study to ensure business success.
2. Before embarking on any venture, it is appropriate to carry out a workable feasible study to discover those factors that could promote business success or otherwise.
3. Also, a good and comprehensive business plan is strongly recommended to analyze the strength, weakness, opportunities and threat of business success or failure.
4. To sharpen the skills of entrepreneurs and the would be entrepreneurs, management courses should be taught. This will prepare them adequately to meet the various challenges arising from business operation.
5. Finally, defining the element of business environment clearly will contribute significantly to the operational level of the enterprise and what affect it.

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