Investigating the Effect of Entrepreneurship Development on the Relationship between Market Orientation, Total Quality Management and SMEs Performance in Kano

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Abstract— This paper investigates the effect of entrepreneurship development on the Small and Medium Enterprises (SMEs) performance in Kano. The issue of Market Orientation (MO), Total Quality Management (TQM) on the Small and Medium Enterprises (SMEs) performance in Kano state will be an interesting area of research as a centre of commerce in Nigeria. The paper sample consists of 8,286 of all the SMEs operating in Kano state. Out of which 367 questionnaires were administered to respondents concerning the MO and TQM to SMEs performance, 297 were returned. The numbers of the valid questionnaires are 291. The data were analyzed using Partial Least Square Structural Equation Modelling (PLS-SEM) to determining the effect of the variables of the study. The findings of the paper indicated that entrepreneurship development factors: MO and TQM promoting SMEs performance in Kano state. The results showed a statistically significant positive influence of both MO and TQM to SMEs performance. The finding provides the government, policy maker, SMEDAN and SMEs owners/ managers with the important variables of this MO and TQM to SMEs performance in Nigeria. This paper also made some recommendations for future research.

Keywords— Entrepreneurship Development, Market Orientation, Small and Medium Performance, Total Quality Management

1. Introduction

The deliberation on the issue of Small and Medium Enterprises (SMEs) performance turned to be a major important driver as well benchmark with the regards to the issue of industrialization, modernization, urbanization, and, provision of fruitful as well as meaningful employment for the teeming unemployed youths, so as to provide per-capita income, welfare and qualitative life together with equitable income distribution to the citizenry [1][2]. Accordingly, [3] aver that SMEs are capable of more growth provision and progress with regards to exploiting opportunities than the large industrial sector to the economy globally. The reason is that the performance of SMEs has played a very critical role in the economic development together with the maturation of several nations’ economy [4]. Thus, on the issue of performance, SMEs do play a significant role globally particularly to the industrialized nations, in which it has contributed 65% employment rate and 55% rate of gross domestic product (GDP) [5], [6]. Likewise, in the context of the Nigerian economy, as a developing economy, the SMEs’ performance is an issue of serious attention perhaps, it is evidently proven that the performance of SMEs is persistently decreasing over many years as SMEs have been regarded as a critical sector in the economy of Nigeria. However, in the following years: 2001, 2007, 2012, 2013 and 2014, the contributions of SMEs with the regards to GDP were 62.1%, 50%, 46.54%, 48.47% and less than 10% respectively [7], [8], [6]. Hence, [7] opined that the contribution of SMEs to the economy of Nigeria is less than 10% with regards to its GDP, which means it has evidently shown the underperformance of the Nigerian SMEs. In essence, in the year 2016, the contribution of SMEs to the GDP of the Nigerian economy was very low when it was compared to other nations’ economy such as Ghana, Kenya, Malaysia and South Africa among others [9], [6]. Hence, the Nigerian government mapped out a well meaningful strategy so as to make again via entrepreneurial innovative awareness campaign together with the incentives given to newly breed entrepreneurs to the extent that, SMEs sector started consolidating its ground.

Consequently, in conjunction with the above statement, many researchers for instance [10], [11] and that of [12] opined that, lack of consistency in government policies, poor as well as dilapidated social amenities, lack of commitments towards the quality standards, lack of entrepreneurial competence as well as, entrepreneurs’ conservative mind-set related to business risk aversion,
poor access to firm’s products markets, coupled with the lack of access to cost-effective and efficient sources of finance for entrepreneurial investments and host of other problems are some of the likely indicating factors that militate against the contribution of SMEs to its GDP and employment rates to the low level. Thus, recently SMEs practices being a pivot of economic and social performance in developed and that of the developing economies has been identified with several predicaments as averred by [13], attributed poor market orientation as one of the major problems of SMEs performance, this is also supported by [14]. In another development, [15], [16], [17] viewed poor MO as one of the problems related to the low performance of the SMEs in Nigeria.

Furthermore, many studies that were empirical in nature for example, [18], [19], [20], [21], and [22] have connected various SMEs’ performance indicators, such as market share, profitability, and sales growth, to total quality management (TQM). However, the findings of the above-mentioned studies were conflicting. Particularly, [19] and that of [23] found a significant positive relationship amid TQM and firm performance. In contrast, [24] examined the effects of three dimensions of TQM (organizational innovation, process innovation, and product innovation) found a significant relationship amid product innovation and firm performance.

Therefore, the SMEs’ lack of performance is seriously a predicament that bothers the entire Nigerian citizens and other SMEs’ stakeholders [25]. Accordingly, several researchers such as [10], [11], [6], as well as [12] conceded that, the Nigerian SMEs are faced with several serious problems such as; inconsistency in government policies, poor infrastructures facilities, multiple taxation, obsolete technology, lack of commitments to quality standards, less productivity capabilities, lack of entrepreneurial competence as well as, conservative mindset of entrepreneurial business risk aversion, poor access to markets, and lack of access to cost-effective and efficient sources of finance for entrepreneurial businesses and host of other predicaments are some of the likely factors that impinged the SMEs’ contribution to GDP and employment, to the low significant level. Other numerous practical issues regarding the lack of performance (non-performance) of Nigerian SMEs are subject of discussion to all. Similarly, it had been highlighted that, the danger that the economy of Nigeria is facing resulting from neglecting SMEs sector [6]. The report indicated that the collapse of these SMEs had resulted in unemployment, loss of market and inevitably affects entrepreneurship and the entire Nigerian economy [26], [27], and [25].

Therefore, the objective of this paper is to examine the effect of entrepreneurship development on the Relationship between Market Orientation (MO), Total Quality Management (TQM) and SMEs’ performance in Nigeria. This paper is divided into introduction, literature review, theoretical framework, methodology, discussion, conclusion, and recommendations.

2. Literature Review

The term SMEs had been defined in a number of ways and in various contexts. Different nation presents their specific meanings based on the role expected played by the country’s SMEs. Therefore, many nations considered their economic indicators levels and others on their industrial development level in defining SMEs [28]. Similarly, SMEs can be defined in relation to the firm’s or organization’s size with the regards to the number of their employees that are working in that firm or organization or alternatively to some, SMEs can be defined inters of the total amount of its total assets and the level of its working capital [29], [30]. Accordingly, European Union (EU) opines that SMEs can be defined as any business entity with number of employees between 10 to the tune of 250 and also having amount of income within $10 to less than $50 million range with the regards to their turnover or the value of the firm’s assets ranged between the ranges of $10 to $49 million [31], [32], and [30]. Additionally, business firm can be regarded as medium when the number of its employees are less than 250, at the same time their turnover rate can amount below €50 million and also their financial balance sheet is not amounted less than €43million [31], [2], [32], and [30].

Furthermore, SMEs’ contributions in relation to the economic growth and development together with their statistical figures related to the industrialized (developed) nations can be viewed in a country such as United Kingdom (U K), in which SMEs’ contribution in relation to their economic growth rate is 50% to GDP and 54.1% of employment rate [30]. So also, in China, the SMEs’ contribution rate is 55% with regards to GDP and 75% on the employment. However, in Taiwan, the contribution stands at 55% of GDP and 70% of its employment rate [30]. While, South Korea its rate stands at 55% to GDP and 70% in favor of its employment level [32]. There are so many issues facing SME all around the world. The literature of [33] heightened some of the questions SME faces in the context of Malaysia. The main problems highlighted by them include lack of data on how to adopt and implement green initiatives as directed by Malaysian policy, as well as lack of experience and technical expertise to implement the green initiatives. In Nigeria, many factors have been identified in many studies as the major problems and encounters confronting SMEs, these factors contribute significantly to their pre-mature death hence, in spite of numerous benefits derived from SMEs in Nigeria [13].

Therefore, the following have been identified as the major predicaments and challenges associated with the Nigerian SMEs such as: insufficient working capital, lack of professional advice with regards to the type and nature of business to venture in, inadequate marketing research, lack of proper record of business activities, over-concentration in one market, lack of succession plan,
inability to separate business from family affairs, inability to procure 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 among others; has negatively affected total quality management, lack access to finance, poor market orientation as well as poor entrepreneurial orientation [34], [35], [25], and [36]. Thus, several studies related to SMEs’ performance have used different strategic orientations to firm performance [37], [38], [39], [40], [41], and [42]. Hence, this paper reviewed the prior empirical relationship between entrepreneurial orientation and performance of SMEs and market orientation and performance of SMEs.

2.2 The relationship between Market Orientation and Firm Performance

Market orientation is described traditionally as a business philosophy of customer orientation [43]. Similarly, it is also viewed from the cultural and behavioral, approaches as a set of organizational behaviors which are reflected in marketing activities that SMEs undertake in their effort to provide superior values for customers [43]. Therefore, market orientation has been seen as an organizational culture representing the values and beliefs that the top management share in relation to customer satisfaction as a way of achieving superior organizational performance [43]. Hence, a market-oriented SMEs (business firms) have capabilities of being sensitive to what happens in the marketplace compared to non-market oriented ones. Many studies have been undertaken in relation to the concept of market orientation. Therefore, market orientation can be defined as the degree of intensity to which SMEs have adopted the marketing concept [44], [45], [46], and [47]. Similarly, as indicated in the previous studies, the vital role played by market orientation in influencing SMEs’ performance [48], [49], [25], [50], and [51].

Thus, there is need to investigate market orientation because of the importance of the variable that arises in the less developed nations due to inadequate or thorough studies that are scarce. Hence, [52] contended that market orientation has delivered a significant positive performance in the economy of the West; therefore, its implementation on the other economies becomes important, more especially looking at the constructs of market orientation and SMEs performance in Nigeria. Although, existing literature has acknowledged its relationship with greater organizational performance [53]. However, despite its acknowledgment as an important aspect of business management practices which ensures superlative organizational performance by focusing and embarking on market-oriented activities, assessing the extent of its application by business organizations has been a difficult task to many marketing scholars and practitioners [54]. However, it is in a bid to overcome this difficulty that market orientation evolved. Therefore, market orientation has been seen as an organizational culture representing the values and beliefs that the top management shares in relation to customer satisfaction as a way of achieving superior organizational performance [43]. Eventually, the concept of market orientation as an organizational culture enables SMEs to be sensitive to the market it serves, by gathering relevant information about specified customers’ needs and competitors’ strategies and capabilities for the purpose of continuously offering superior values for customers [43]. Hence, a market-oriented SMEs (business firms) have capabilities of being sensitive to what happens in the marketplace compared to non-market-oriented ones.

The conceptualization and operationalization of market orientation gained wide acceptance from two popular perspectives [43], [55], and [56]. Moreover, [56], was of the view that, one group that conceptualized and operationalized market orientation was Narver and Slater in 1990. Thus, Narver and Slater describe the market orientation concept as an organizational culture that serves as a base for providing better values for customers [57]. Therefore, [58] operationalized the concept of market orientation as a uni-dimensional construct with three components namely: customer orientation, competitor orientation, and inter-functional coordination [58], [59]. Consequently, this study is going to measure MO as a uni-dimensional variable, as originated from [58] and adapted from, [12], [16]. Therefore, based on the above empirical literature results and findings, the following hypothesis is proposed:

H1: There is a significant relationship between market orientation and performance of small and medium enterprises in Nigeria.

2.3 The relationship between Total Quality Management and Firm Performance

Regarding issue related to TQM and SMEs performance several studies have been conducted among which are: In the study of [60], they inspected that, the impact of TQM implementation on plant productivity. Meanwhile, a sample of three poultry processing was chosen out of eight using purposive sampling. TQM found to have a positive impact on poultry processing plant productivity. Hence, this is in line with the findings of [61] which also established a positive association between TQM and company performance. Similarly, [62] measure the impact of ISO 9000 certification on organizational performance. A questionnaire survey employed with a sample of 300 SMEs from the cities of Lahore, Sialkhet, and Multan in Pakistan. A convenient non-probability sampling used with multiple regression methods for the purpose of analyzing the data. Thus, findings of the study depicted that there is a positive significant relationship between
ISO 9000 and organisational performance. [63] Surveyed sixty-five quality managers with 81.5 response rate and found TQM to organisational performance to be supportive, but a weak correlation established. However, the study of [64] evaluated the effects of TQM practices on business performance of manufacturing SMEs’ in Pakistan. A sample of sixty-five managers working in the quality assurance department was employed with a descriptive statistics for the data analysis. The finding shows that TQM is implemented only in quality control, quality assurance and continuous improvement and that top management commitment is the most variable affecting TQM implementation which then directly affects business performance.

H2: There is a significant relationship between total quality management and performance of small and medium enterprises in Nigeria.

2.4 Theoretical Framework

The research framework in this study has two independent variables which will serve as representatives of the SMEs’ valuable resources, namely MO and EO. The SMEs’ performance will serve as the dependent variable underpin by the resource-based view (RBV).

Conceptual Framework

![Figure 1. Research Framework](image)

3. Research Methodology

The population in this study consists of all the SMEs operating in the Kano state of North-western Nigeria. According to [6] and [30], the total number of SMEs as at 2013 in this Kano state stood at 8,286, which served as the total population of the study [6]. The unit of analysis for this study is an organization whereby, Owners / Managers will serve as the representatives of the business organization. Thus, the rationale is that SMEs (firms) will be studied. Although, the performance of SMEs (firms) will be studied, owners/managers were chosen as key informants for their firms since SMEs could not speak for themselves. Moreover, owners/managers are serving as the representatives of their business firms whose responsibilities are to implement the entire organizational plans, rules and policies, strategies and procedures in running their organizations.

Furthermore, owners/managers are well-informed about the day-to-day activities of that organisation and they are considered to be most knowledgeable in that organization particularly, with regards to the operation of their organizations. The samples of the study are drawn from SMEs in Kano state. The expected sample size for the study is 367 of the total population of 8,286 SMEs in the above-mentioned cities using [65] formula. The statistical tools to be used for data analysis are partial least square-SEM (PLS-SEM) to measure the model. Hence, this study adopted stratified sampling technique. The study adopted seven-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

The performance scale which uses subjective (non-financial) measures were adapted from the work of [12],[66], and [16]. Market orientation with eleven (11) items were adapted from the work of [67], [68], [69], and [16]. And Total Quality Management was measured by using eight (8) items in a single dimension adapted from [70], [71].

4. Analysis and Results

A total of 367 questionnaires were distributed to the owner/ managers of SMEs, located in the Kano state of Nigeria. Hence, self-administered questionnaire was carried out to the entire respondents. The response rate had yielded the outcome of 297 returned questionnaires. As such, the numbers of valid questionnaires are 291. Therefore, this gave the response rate of 79% [72] contended that a response rate of 30% is sufficient for surveys. The response rate of 79% is adequately enough to be considered for running the analysis of this study [72].

From the demographic analysis, the majority of the respondents in the sample, that served as the representatives of the main line of the business 138 (46.46%), were manufacturers, 91 (30.64%) were in the agricultural sector, while the remaining 68, that are representing 22.90% were in service providers. Besides the main line of the respondents’ business, respondents (owner/managers) were also asked to indicate the location of the business, in which all of the respondents (297) are located in Kano state. With regards to the firm’s years of operation, 56 representing (18.86%) of the respondents had answered that their firms are less than five years in their operations; while, 121 representing (40.74%) of the firms have been operating for about five to 10 years; and 86 representing (28.96%) had indicated that their firms are amid 11 to 15 years in operation. Lastly, only 34 which represent 11.44% have been in business operations for more than 15 years. Likewise, with regards to the size of the firm, a number of employees that are working in a firm represent the size of the firm in the study.

This paper, in line with the recent development of data analysis, the study adopted the used of Partial Least Squares Structural Equation Modeling (PLS-SEM3.0)
Therefore, this two-step process adopted in this particular study comprises the following: Firstly, the issue of assessment of a measurement model, and secondly, that of assessment of the structural model [73], [74]. Consequently, the descriptive analysis disclosed that most of the business firms that are operating business transactions in Nigeria are small going by an average of 62.3% when compared to the only 37.7% that operates as a medium. The mean for the latent variables ranged between 3.62 and 4.90. Thus, precisely mean and standard deviation for the market orientation was 3.62, with a standard deviation value as 1.05, this indicates that the owner/managers market orientation is low. In addition, the results of the descriptive statistics for the total quality management showed the mean of 4.46 and the Standard deviation of 1.34. Similarly, the result of the dependent variable had the mean and standard deviation values of 4.90 and 1.62 respectively. Therefore, this shows that the owners/managers have provided high-level scores on SME performance.

4.2 Analysis of Measurement Model

The issue of measurement model assessment consists of determining individual item reliability, internal consistency reliability, content validity, convergent validity and discriminant validity [73], [75], and [74]. With respect to the issue of Individual item reliability, [76], [73], and [77] stated that it was assessed by examining the outer loadings of each construct’s measure. Therefore, going by this rule of thumb, for the purpose of retaining items with loadings amid .40 and .70 [73], it was discovered that, in the present study out of 25 items, 6 were deleted for the fact that, they presented loadings below the threshold of 0.40. Thus, in the whole model, only 19 items were retained as they had loadings between 0.780 and 0.934. Therefore, in the present study, composite reliability coefficient was chosen so as to ascertain the reliability of internal consistency of the adapted measurements. In other words, no matter which particular coefficient of reliability is used, it should be noted that the value of an internal consistency reliability above .70 is considered a satisfactory for an adequate model, whereas any value that is below .60 depicts a lack of reliability. Nevertheless, based on the rule of thumb that had been provided by [78] with that of [75] who suggest that the composite reliability coefficient should be at least .70 or more. Therefore, this served as the bases for the interpretation of internal consistency reliability using composite reliability coefficient. See table 1 below;

### Table 1. Results of Measurement Model

<table>
<thead>
<tr>
<th>Items</th>
<th>SMEs performance</th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP01_1</td>
<td>0.850</td>
<td>0.939</td>
<td>0.943</td>
<td>0.952</td>
<td>0.768</td>
</tr>
<tr>
<td>FP02_1</td>
<td>0.855</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP03_1</td>
<td>0.895</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP04_1</td>
<td>0.934</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP05_1</td>
<td>0.910</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP06_1</td>
<td>0.807</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO01_1</td>
<td>0.870</td>
<td>0.948</td>
<td>0.962</td>
<td>0.959</td>
<td>0.795</td>
</tr>
<tr>
<td>MO02_1</td>
<td>0.880</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO03_1</td>
<td>0.882</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO04_1</td>
<td>0.930</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>MO05_1</td>
<td>0.930</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO06_1</td>
<td>0.853</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TQ01_1</td>
<td>0.844</td>
<td>0.929</td>
<td>0.934</td>
<td>0.942</td>
<td>0.699</td>
</tr>
<tr>
<td>TQ02_1</td>
<td>0.794</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TQ03_1</td>
<td>0.841</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TQ04_1</td>
<td>0.871</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TQ05_1</td>
<td>0.886</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TQ06_1</td>
<td>0.830</td>
<td></td>
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<td></td>
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<tr>
<td>TQ07_1</td>
<td>0.780</td>
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</tbody>
</table>

Furthermore, as indicated above in table 1, the average variances extracted values range between .699 and .795, suggesting acceptable values. It can be observed that, in table 2 below, the correlations among the latent variables were compared with the square root of the average variances extracted values written bold. Accordingly,
Table 2 also depicted that, the square root of the average variances extracted were all greater than the correlations among latent variables, suggesting adequate discriminant validity [79]. Additionally, as stated earlier, discriminant validity can be determined by comparing the item loadings with cross-loadings [80]. Therefore, in order to achieve adequate discriminant validity, [80] proposes that all the cross-loadings should be lower than indicator loadings.

<table>
<thead>
<tr>
<th>Variables</th>
<th>MO</th>
<th>SMEs Performance</th>
<th>TQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>MO</td>
<td>0.891</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs Performance</td>
<td>0.588</td>
<td>0.876</td>
<td></td>
</tr>
<tr>
<td>TQ</td>
<td>0.500</td>
<td>0.810</td>
<td>0.836</td>
</tr>
</tbody>
</table>

Hence, it can be noted below that, Table 2 has compares this study’s item loadings with other reflective items. Therefore, all item loadings were numerically more than the cross-loadings thus.

### Acknowledgment

The authors would like to thank the Research and Innovation Management Centre (RIMC), Universiti Utara Malaysia for providing finance for this study.

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