

ATTRIBUTION OF THE CAUSES OF BUSINESS FAILURE AS PERCEIVED BY ENTREPRENEURS IN ILORIN METROPOLIS

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Abstract

The study was undertaken to find out what reasons the entrepreneurs in Ilorin Metropolis, Kwara State of Nigeria attribute to the failing businesses and declining economy which is prevalent in the entire country at present. The study was based on the attribution theory of Weiner, which stated that the causes which an individual attributes to failure or success will determine the level of responsibility such an individual will take to correct the situation or maintain the trend. The sample consists of 350 business owners in Ilorin Metropolis. These were selected through systematic sampling technique. The instrument was a two-part questionnaire, designed and validated by the researcher. Results indicated that most respondents attribute their business success and failures to external causes such as government taxation, sheer luck, sabotage by staff and divine intervention. Two null hypotheses which were developed for the study were rejected at 0.05 probability level. Recommendations for improving entrepreneurial education, including the improvement in managerial skills of entrepreneurs through regular training and workshops, are given.

Keywords: Entrepreneurs, Attribution, Success, Failure

Introduction

Shortly after the public euphoria which heralded Buhari's Presidential election victory in 2015, Nigeria started witnessing an unprecedented wave of unemployment among youths and adults alike. Closure of factories, retrenchment of workers, salary cuts and mass demonstration and strikes by workers due to poor conditions of service or lack of pay were rampant in both federal, state and private business enterprises. The reasons given for this gloomy scenario of the economy were multifarious. Notable among them is the declining world price of crude oil, which is Nigeria's main export commodity. This reason seems logical at face value but most economic analysts see the causal factor differently. Kingsley (2016) attribute the current down-turn in the Nigerian economy to the flagrant corruption, mismanagement, poor foresight and inadequate planning by

Nigerian politicians during the peak of the oil boom of the 1980s, when crude oil, globally, was selling at over one hundred dollars per barrel.

Questions were raised in the Nigerian media such as why did our leaders not diversify the economy so as to reduce too much dependence on oil, which is a non-renewable resources?. "Why did we allowed past Nigerian politicians to mismanage the economy by siphoning billions of dollars into their private accounts in foreign banks"? Except the root causes of this national tragedy is known and the controversy settled once and for all, the problem, even if temporarily solved may resurface again in the near future due to the wrong diagnosis of the problem. Why did previous Nigerian governments not build up Nigerian foreign reserves to enviable standards such that can be used to salvage the economy during times of economic adversity like the country is currently experiencing? Why did the educational planners of Nigeria not learn from the experiences of other developed countries of the world, who planned their curriculum to be more practically, vocationally and industrially oriented so as to enable Nigerian secondary and tertiary institutions turn out graduates who will create jobs and become employers of labour rather than job seekers after graduation?

In response to the National discontent and recession, the present Nigerian government of President Buhari tried to revitalise the economy by travelling to the United States, China and Saudi Arabia so as to convince the governments of those countries that Nigeria was reliable and safe for their economic investments and to attract them to invest massively into the Nigerian economy so as to create jobs.

The government also empowered the Economic and Financial Crimes Commission (EFCC) and the Code of Conduct Bureau (CCB) to arrest and prosecute all alleged corrupt politicians who might have embezzled the country's money and compel them to refund them or go to jail. The government also assured Nigerians that it will rebuild the battered Nigerian economy and revolutionise agriculture. However, these assurances came too little and too late to sceptic Nigerians who saw no hope in the Nigerian economy for the foreseeable future. Today, the Nigerian economy has gone into recession with galloping inflation in prices of basic food items in a country endowed with vast arable land and tropical rainfall.

Some politicians even tried to blame the cause of the gloomy economy on the disruptive activities of the Boko Haram terrorist group, while others blame it on the discovery of "Shale Oil" in the United States, which enabled them stop importing Nigerian crude Oil. Most Nigerians attribute the cause of the economic recession on external causes while others attribute it to internal ones. This study was therefore conducted to determine the real causes of the economic gloom, with a view to recommending lasting solutions to the problem

Weiner (1985) documented that causal beliefs and the assignment of responsibility to events, generate feelings of anger and sympathy, which in turn, motivate the individual or group to find solutions to related problems. A person who often blames external factors for his woes or progress will never accept the responsibility that he/she has the ability to take action to improve or deter the situation. Thus, this attribution

theory of Weiner is applicable to classroom situations, business practice, crime prevention, military and political problems.

The basis of attribution theory is to enable us understand the attributional approach to motivation. Weiner, (1986) has documented that there are three causal properties of motivation. These are locus, stability and controllability. Locus refers to the location of the cause of an action, which is either within or outside of the actor. For instance, ability and efforts of an entrepreneur would be considered internal causes of success in business, whereas the ease or difficulties of the job in a factory or government intervention are external causes. Causal stability refers to the duration of a cause. Some causes are unstable or temporary while others are permanent and cannot be willfully changed. Luck and aptitude have this property. Luck for instance, is external to the actor and unstable with time, whereas aptitude is internal, stable and uncontrollable to the actor. The significance of these casual properties is that they help us to map out or prepare a chart of the two main determinants of motivations – namely expectancy and value. Expectancy is the subjective likelihood that the action is anticipated, that is, the actor may repeat the action in future, if it has led to internal satisfaction and success. A student or an entrepreneur who sees his progress as emanating from luck is not likely to repeat that success in future because he does not believe that he has control over the cause, due to its external locus and uncontrollability. Value is the emotional consequences of goal attainment or non-attainment. (Arkinson 1994). The stress on motivation in this study is important because it is the offshoot and driving force that propels success or failure among individuals in any human culture and civilisation.

Research Questions

The study raised four research questions to help provide insight into the nature and workings of business enterprise in Ilorin Metropolis.

1. What is the ownership structure of the business enterprises in Ilorin Metropolis?
2. What is the nature of activities embarked upon by business enterprises in Ilorin Metropolis?
3. What is the profit level of the business enterprises in Ilorin Metropolis?
4. What are the perceived causes of failures of the business enterprises?

Research Hypotheses

Ho1: There is no significant relationship between business improvement and business failure

Ho2: There is no significant relationship between business improvement and business success

Methodology

The study adopted a descriptive survey design. This design will facilitate the use of questionnaires for data gathering. The objective is to gather information on the causes which entrepreneurs in Ilorin Metropolis attribute to the failure of their businesses and to

compare their attributes to those of the attribution theory of Weiner (1985). Survey research is a type of descriptive studies or where a researcher wants to study relationships among variables occurring in particular real-life situations (Muijs, 2004)

Ilorin metropolis is a busy commercial town in the middle belt region of Nigeria. It is the capital of Kwara State and is considered as the gateway between, the north and south of Nigeria. Consequently, it serves as a melting pot for most cultures in Nigeria. Its vegetation of the Sudan Savannah type is conducive for grain and tree crops alike. It is also a tourist's attraction and a holiday resort for many Nigerians. Industrial establishments are well distributed around the town, notably, plastic, wood, furniture, ceramic and garment industries. It also hosts many international and federal government establishments, although most of them have recently closed down due to the down turn in the economy.

A sample of 350 business owners (representing 35% of one thousand identified business enterprises in Ilorin Metropolis), were selected through systematic sampling procedure for this study. The systematic sampling technique was used because it was considered most appropriate so as to avoid clustering too many similar types of businesses into the study, to the detriment of other equally important types. Such an error, would otherwise lead to bias in sampling.

The instrument for collecting data was a researcher –designed questionnaire, titled Questionnaire on Attribution of Business Failure as Perceived by Entrepreneurs”(QABFPE). The reliability of the questionnaire was determined by equivalent forms technique. In this technique, the researcher prepared the main questionnaire for the study and prepared a paralleled one with the same number of items and level of difficulty but different wordings. Both were pilot-tested on neutral subjects who were not part of the main study. Responses for both questionnaires were coded and correlated using the Pearson's product-moment formula. This yielded a co-efficient of 0.87 which was considered reliable enough to be used for the study. The first part of the instrument required information on bio metric data such as age, rank of respondent in the business enterprise, type of business, objectives and age of the business and the asset (financial worth) of the business. The second part required information on the number of branches which the business has in other parts of the State and country, approximate number of employees, whether or not the business is making profit, reasons attributed for the success or decline and how best to improve the functions and financial fortunes of the business.

The researchers and their trained assistants went from one business establishment to another, collecting the information and completing the questionnaires on the spot. Where the officers were not present or busy the questionnaires were deposited with the respondents for them to complete. These were collected by the researcher after a fortnight. Descriptive statistics of mean, standard deviation, percentages and Pearson product moment correlation statistical method were used to analyse the data collected and all hypotheses were tested at 0.05 level of significance.

Results

Research Question 1: What is the ownership structure of the business enterprises in Ilorin Metropolis?

Table 1. Ownership of Business

Ownership	No	Percentages
Private Ownership	179	51.1
State Government	21	6.0
Federal	30	8.6
Local Government	35	10.0
Joint Government and Private	85	24.3
Total	350	100

As regards the type of ownership of business enterprises found in Ilorin, private ownership were 179 (51.1%), State Government ownership were 21(6.0%). Federal Government ownership were 30(8.6%), Local Government ownership were 35, (10.0%) while joint Government and Private ownership constituted 85 (24.3%).

Research Question 2: What is the nature of activities embarked upon by business enterprises in Ilorin Metropolis?

Table 2. Objective of the Business

Objectives	No	Percentages
Production of Raw Materials	108	30.9
Production of Services	54	15.4
Manufacturing	188	53.7
Total	350	100

Businesses which were engaged in the production of raw materials were 108 (30.9%). Those businesses which had been established for between 10-20 years constituted 210 (60.0%) while those which had been established over 40 years ago were 29 (8.3%).

As regards the financial assets of the businesses, 22 (6.3%) respondents indicated that their businesses were worth over 40 million Naira while 40 (31.4%) indicated that their businesses were worth less than 10 million Naira in asset. In relation to the spread of the businesses, 127 (36.3%) indicated that their businesses had branches in other parts of Kwara State and other States in Nigeria, while 223 respondents (63.7%) indicated that their businesses had no branches elsewhere.

Research Question 3: What is the profit level of the business enterprises in Ilorin Metropolis?

Table 3. Profit Making

Profit	No	Percentages
Yes	251	71.7
No	99	28.3
Total	350	100

Answering research question 3, 251 respondents (71.7%) indicated that their businesses were making profit, while 99 respondents representing 28.3 percent indicated that they were running their businesses at a loss, and may soon embark in staff retrenchment resort to salary cuts or close down completely. Item 9 of Section B of the research questionnaire required respondents to indicate the reasons attributable to progress and profit been made by the business venture. 104 (29.7%) attributed it to the high quality of their products, 103 (29.4%) attributed their profit to the intensive advertisement been made through the mass media, 95 (27.1%) attributed the reason for their profit to access to financial aids and credits from banks. 29 respondents (8.3%) attributed their profit to luck while 19 (5.4%) claimed that they did not know the reasons for such profits.

Table 4. Causes of Business Failure

Courses of Failure	No	Percentages
Spiritual Attack	44	12.6
Luck	46	13.1
High Taxation	121	34.6
Act of God	74	21.1
Witchcraft	55	15.7
Carelessness on our Part	10	2.9
Total	350	100

Among owners of businesses that are on the decline, 44 respondents (12.6%) attributed the cause to spiritual attack while 55 (15.7%) ascribe the cause to witchcraft – an indication that most respondents in these businesses still believe in superstition as the root causes of their misfortunes. Weiner (1985; 86) postulated that when an individual attributes success or failure to external and uncontrollable phenomenon, such as magic, luck or witchcraft, it becomes difficult to convince such an individual to find solutions to improve, due to a wrong perception of the causal factors. This is partly because he/she perceives both the problem and solution as beyond his/her control, hence he/she does not take responsibility for its cause, effect or solution.

Hypothesis H0₁: There is no significant relationship between business improvement and business failure.

Table 1: Relationship between business improvement and business failure

Variable	N	Mean	SD	r-(cal.)	r-(critical)	Decision
Business Improvement	350	3.0114	1.93	0.950	0.082	Rejected
Business Failure	350	4.8457	2.57			
P <0.05						

Table 1 shows the correlation between improvement and business failure. The coefficient of the calculated r of 0.950 is greater than that of the critical r of 0.082. This was found to be significant at 0.05 probability level. The null hypothesis is therefore rejected. This implies that there is significant relationship between business improvement and business failure.

Hypothesis H₀₂: There is no significant relationship between business improvement and business success

Table 2: Relationship between business improvement and business success

Variable	N	Mean	SD	r-(cal.)	r-(critical)	Decision
Business Improvement	350	3.0114	1.93	0.97	0.82	Rejected
Business Success	350	4.6143	2.63			
P <0.05						

Table 2 shows the correlation between business improvement and business success. The table indicates that the calculated co-efficient of r (0.97) is greater than that of the critical r (0.82). This was found to be significant at 0.05 probability level. This implies that there is significant relationship between business improvement and business success.

Table 3: Correlation Matrix showing the relationship between business improvement, business failure and business success

Variables	1	2	3
1. Business Improvement	1.000		
2. Business Failure	0.950*	1.000	
3. Business Success	0.967*	0.984*	1.000

Table 3 shows the correlation matrix, indicating the relationships between business improvement, business failure and business success. Each of the variables correlated perfectly with its self hence their co-efficient were $r = 1.000$ each. Business success and business failures are two dependent variables while improvement is an independent variable on which the two other variables depend. The table shows that improvement had high correlation with both business failure and success ($r = 0.950$, $r = 0.967$). Business failure correlated very highly with business success ($r = 0.984$). These imply that the improvement of any business venture will significantly affect the trend of success or failure of such a business. Thus there is an inverse relationship: with improvement, success is achieved but without improvement failure emanates – until the business collapses – or winds up.

Table 4. Summary of correlation matrix showing the causes of business failure in Ilorin Metropolis

Variables	1	2	3	4	5	6	7	8	9
1. Poor Staff qualification	1.000								
2. Poor equipment	0.072	1.000							
3. Government Taxation	0.033	0.103**	1.000						
4. Low Patronage	0.061	0.044	0.029	1.000					
5. Pilfering by staff	0.165**	0.215**	0.129**	0.128**	1.000				
6. Sabotage	0.095*	0.114**	0.021	0.113**	0.048	1.000			
7. Low morale	0.146**	0.069	0.074	0.104**	0.075	0.163**	1.000		
8. Poor Management	0.126**	0.081	0.109**	0.137**	0.127**	0.096**	0.532**	1.000	
9. Wastage	0.154**	0.093**	0.059	0.091**	0.159**	0.078	0.410**	0.722**	1.000

Table 4 shows the summary of correlation matrix for the causes of business failures in Ilorin Metropolis. Government taxation correlated significantly with poor equipment in ushering the businesses into failure. Pilfering (i.e. stealing by staff) correlated significantly with all other factors in causing business failure. Similarly, low staff morale, sabotage, poor management and wastage of company resources correlated significantly with one another in leading the businesses to failure. In general, it is safe to infer from the data on table 4 that the factors have symbiotic relationships. This means that they interact with one another – for instance, high government taxation may deplete the profit margin of the business which will in turn negatively affect staff salary, leading

to low staff morale, pilfering and sabotage, in revenue. Poor staff management will result in low staff morale, wastage of company resources and consequently low patronage – by consumers. Poor staff qualifications will lead to erratic recruitment of personnel and procurement of equipment, leading to poor quality of products, low patronage and low staff morale. Thus, these correlation co-efficients tally with the items on the questionnaire reports collected during the field work for this study. For instance, in their responses to the causes of business failures in their businesses, an aggregate of 121 respondents representing 35 percent indicated that high government taxation on their businesses was siphoning away their profit, which would have otherwise, been ploughed back into the purchase of machinery and other inputs into the business or used for improving staff emoluments, which will in turn boost staff morale.

Discussion of Findings

The findings from the research questions indicated that, most of the business enterprise operating in Ilorin Metropolis were making profits while marginal percentage (28.3%) were running at a loss. A sizeable proportion were owned by private individuals (51.1%) and 24.3% were jointly owned by both the State and the Local Governments. The results of the hypotheses indicated that both null hypotheses developed for the study were rejected, at 0.05 probability level, indicating that business failure has no bearing on luck or superstition, as most of the respondents attributed. Results also showed that economic indices such as poor managerial skills, poor working equipment and low staff qualifications combined with other exponential factors such as pilfering, low staff morale, low patronage, sabotage and wastage of company resources cause business failure and final liquidation. The prevalence of low standard deviation on both tables 1 and 2 are evidences of the homogeneity of the responses on the questionnaires used for the field work.

Conclusion and Recommendations

Based on the results of this study, the entrepreneurs in Ilorin Metropolis attribute the failure of their businesses to both internal controllable as well as external uncontrollable factors. In line with Weiner's (1985) postulations, it is clear that majority of the entrepreneurs used for this study do not attribute the failure of their businesses to their own fault or inefficiency. Rather, they see their failure as a function of government, staff or public manipulations of the parameters of industrial production such as low patronage by the public consumers, high taxation by government and pilfering and low morale by company staff. Most of the entrepreneurs also attribute their successes or failure to sheer luck, political sabotage and divine intervention. Finally it can be concluded that none of the economic parameters operate in isolation from the others. They interact symbiotically to effect success or failure of the businesses, consequent upon the quality and quantum of improvement infused into the businesses.

Since the indices of business failure do not operate in isolation from one another, as indicated on table 4 the best way to reverse the trend of failure is to break its vicious

cycle. (Kingsley, 2016). Such an intervention will reverberate and send chain reactions to other causes of failure in the entire system. For instance an improvement of the managerial skills of an entrepreneur will instantly improve the procurement of more effective working equipment and recruitment of qualified and competent staff. These will in turn improve productivity, public patronage, staff morale and higher profit margin for the business. Improvement of managerial skills also implies a better and higher education for such managers. Business tycoons who want to register or obtain licenses for their businesses should ensure that they employ highly qualified managers with at least a first degree in industrial education or business administration in a recognised university, otherwise, such businesses should be denied registration or licenses to operate in Ilorin metropolis. A well-educated manager, who is versed in industrial education and business administration, is more unlikely to attribute failure or success in business to sheer luck or superstition than an illiterate one. A well-educated manager will apply modern work ethics, vision, creativity, and objectivity to run a business and make profit, whereas an illiterate one will depend on trial and error, political and religious bigotry and ethnic sentiments which will all lead to futility of efforts for the business. Government and private institutions should therefore organise periodic workshops and conferences to improve the education of entrepreneurs in Ilorin Metropolis.

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