

Chief executive officer characteristics and performance of small and medium scale enterprises in Ondo state

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ABSTRACT

The aims and objective of this study is to examine the influence of CEO's education qualification on the SMEs profitability in Ondo State. The study adopts a descriptive research design. The population of the study consisted of all small and medium scale in (Oka, Akungba, Supare, Oba and Iwaro Akoko) Akoko south west. Finding revealed that CEO's education qualification has significant impact on SMEs profitability in Ondo State. Finding revealed that CEO's oriented skills has significant impact on the Small Medium Enterprises profitability in Ondo. Also, Finding showed that CEO's innovative proficiency has significant impact on the gender differences and growth of Small and Medium Enterprises in Ondo State. It was recommended that, CEO's education qualification is an important element which cannot be neglected as regards the performance of SMEs to make profitability. CEOs of small and medium scale enterprises should therefore endeavour to start up business in areas where they are very familiar with both economically and conventionally. It was also recommended that, they should be aware of business risk and their individual attitude towards risk. CEOs should therefore embrace and practice innovative proficiency attitude that will best suit the performance of their business enterprises.

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1. INTRODUCTION

The success and expansion of small and medium-sized businesses (SMEs) is a key factor in determining the rate of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, equitable distribution of income, welfare, income per capital, and quality of life enjoyed by the populace (Aremu & Adeyemi, 2011). This is because SMEs grow employment more quickly than larger businesses do (Farouk & Saleh, 2011). Small and medium-sized enterprises (SMEs) are seen as a key factor in economic growth and job creation in both emerging and industrialized nations (Kpleai, 2009). The main business sector in any economy throughout the world is made up of SMEs (companies with 200 or less employees) (Culkin & Smith, 2000). Although, several studies have deliberated on the impact of CEO characteristics on firm performance, it can be deduced that most of these articles concentrated mainly on the performance of large-scale firms without really laying emphasis on the effect of CEO's characteristics on the performance of small and medium scale enterprise. Hence, it becomes necessary to embark on a study that investigates the effect of CEO characteristics on the performance of small and medium scale enterprise in Ondo state Nigeria.

2. LITERATURE REVIEW

From resource-based theory, performance in business management is the act of persistently obtaining and developing human and material resources and capacity, which can be enhanced by securing competitiveness. In particular, the performance of an SME can largely be determined by the CEO's ability and tendency (Cho & Kim, 2011). The CEOs of SMEs are generally the owners, and they personally operate their companies; therefore, their decisions are the core variables determining their business performance (Ahn, Kim, & Lee, 2010). These CEOs have the characteristics of personally establishing their SMEs, and they directly operate their corporations as owners (largest shareholders). Therefore, the CEOs of SMEs are the core factors in having a large influence on performance in business management. In the related previous studies, the following factors of the CEOs of SMEs were indicated to influence performance in business management: entrepreneurial spirit (Park & Kim, 2014). Chief Executive Officer (CEO) have often been considered luminaries in both academics and the business. CEOs become very positively popular when they take companies which have been low performing and are able to bring renewed energy and making these companies succeed. According to agency theories, CEOs operate against the interests of the shareholders, are risk averse, and have their own agendas (Jensen & Meckling, 2006). CEO characteristics for the purpose of this study include: CEO's Tenure, CEO's Risk Preference, CEO's Customer Satisfaction, CEO's Innovative Proficiency and CEO's Gender Differences. The characteristics of CEOs that affect performance in business management at

SMEs are generally variable according to their personalities. Although many CEO studies focused on the relationship between CEO leadership and firm performance rather than open innovation, we can draw a meaningful implication from them. In previous studies, there have been two apparent research streams based on the upper echelons' perspective (Kitchell 1997; Yadav et al. 2007). One stream was investigating the demographic features of CEOs, such as an age, the degree of formal education and tenure, and the other stream was evaluating the psychological state of CEOs that can influence firms (Kitchell 1997). Although most research has adopted the first stream into their studies because of the ease of data collection, the literature shows that CEO personalities as well as demographic features can influence firm performances considerably.

3. METHODOLOGY

The data to be used for this research was derived from primary sources. Data was collected using questionnaires which are expected to be administered to various business owners (operating under a small and medium scale) who are actively in operation and the questionnaires would be administered during working hours. The population of the study consists of all small and medium scale enterprises operating within the five (5) towns (Oka, Akungba, Supare, Oba and Iwaro) of Akoko Southwest Local Government in Ondo state and precisely two hundred and seventeen (217) SMEs. Purposive sampling technique was used to select CEOs that are readily available to give data and are actively in operation during the period of the study. Consequently, the purposive sampling technique was used in order to ensure that the study suits the purpose for which the research work is carried out. A total of one hundred (100) questionnaires were administered to respondents in the various SMEs across the five (5) towns in Akoko South West Local Government.

Table 1. Measurement of Variable

S/N	Variables	Descriptive	Measurement	Source
1	Tenure	Local knowledge of where business located	Level of education	Andre, et al., (2003)
2	Customer relation skill	Dealing with customer rightly and professionally	Customer satisfaction	Hameed, & Amjad, (2011).
3	Innovative proficiency	Strong zeal for business	Risk taking	Yoshiro, et al., (2016)
4	Risk Preference	Flair for risk	Loss aversion	Ibrahim, et al., (2020)
5	Profitability	Business revenue exceed total operation cost	Return on assets	Farah, et al., (2016)
6	Gender difference	Contrast in person	Percentage of men to women of CEO	Caroline, et al. (2019)

Source: Author's Compilation (2021)

4. DATA ANALYSIS AND INTERPRETATION

4.1 Demographic Representation of the respondents

Demographic analysis shows 61% which represents majority of the respondents were males while 39% of the respondents were females. The findings reveal that majority of the respondents is male. Further findings reveals 54% of the respondents were found within the age range of 31-40 Years while 25%, 15% and 6% of the respondents were found within the age range of 20-30 Years, 41-50 Years, and 51 Years and above respectively. It is obvious that majority of the respondents fell within the age bracket of 31-40 years. Also, findings disclose 71% of the respondents were B.Sc./HND holders while 20% and 6% of the respondents had Post graduate certificate and OND/NCE respectively. This is an indication that majority of the respondents were knowledgeable. Lastly, it was discovered that 48% of the respondents had years of working experience between 6-10yrs while 41%, 11%, 5% and 5% of the respondents had years of working experience between below 5yrs, 11-15yrs, 16-20yrs and 21yrs and above.

4.2 Regression Analysis: There is no significant relationship between CEO's education qualification and SMEs profitability in Ondo State.

The coefficient of multiple determinations (r) of 0.700 shown in appendix 1 implies that Small Medium Enterprises profitability in Ondo State is influenced by 70% variation in CEO's education qualification while the remaining 30% are other factors affecting the Small Medium Enterprises profitability in Ondo State not included in the model. The regression equation appears to be useful for making prediction since the value of R^2 is above 0.5. Similarly, the calculated ANOVA shown in appendix 2 tests the impact of between CEO's education qualification on the Small Medium Enterprises profitability in Ondo State. F value of 24.497 with the P-Value of 0.00 less than 5% significance level is an indication that the null hypothesis is to be rejected. This implies that CEO's education qualification has significant relationship between SMEs profitability in Ondo State.

Finding revealed that CEO's education qualification has significant impact on SMEs profitability in Ondo State. In line with the Myung, Jae and Jae (2017) conducted a study on the result of SME CEOs' entrepreneurial expertise on corporate performance-centred on entrepreneurial failure rate. The results shows that a reverse U-shaped relationship was discovered between the entrepreneurial failure rate and therefore the basic corporate performance (financial or non-financial). Contrary to the prediction, a U-shaped relationship between the entrepreneurial failure rate and opportunity pursuit was discovered and the relationship between the entrepreneurial failure rate and financial credit rating was in negative shape.

4.3 Regression Analysis: There is no significant relationship between CEO's oriented skills and profitability of SMEs in Ondo State

The coefficient of multiple determinations (r) of 0.649 shown in appendix 3 implies that Small Medium Enterprises profitability in Ondo State is influenced by 65% variation in CEO's oriented skills while the remaining 35% are other factors affecting the Small Medium Enterprises profitability in Ondo not included in the model. The regression equation appears to be useful for making prediction since the value of R^2 is above 0.5. Similarly, the calculated ANOVA shown in appendix 4 tests the CEO's oriented skills on the Small Medium Enterprises profitability in Ondo. F value of 35.328 with the P-Value of 0.00 less than 5% significance level means the null hypothesis should be rejected. This implies that CEO's oriented skills has significant impact on the Small Medium Enterprises profitability in Ondo. Finding revealed that CEO's oriented skills have significant impact on the Small Medium Enterprises profitability in Ondo. According to Burger (2017) conducted a study on CEOs' temperament and talents matter: Their Influence on SME Behaviour and Performance. The result shows that the treatise reveals that CEOs' promotion focus affects the firm's performance, which this result is mediate by their fellow feeling for customers. As such, CEOs' personal characteristics and talents play a very important role within the exploration, exploitation, and performance of SMEs. In alternative words, CEOs' temperament and abilities matter and influence SMEs' behaviour and performance.

4.4 Regression Analysis: There is no significant relationship between CEO's innovative proficiency as well as gender differences and growth of SMEs in Ondo State

The coefficient of multiple determinations (r) of 0.624 shown in appendix 5 implies that gender differences and growth of Small and Medium Enterprises in Ondo State is influenced by 64% variation in CEO's innovative proficiency while the remaining 36% are other factors affecting the gender differences and growth of Small and Medium Enterprises in Ondo State not included in the model. The regression equation appears to be useful for making prediction since the value of R^2 is above 0.5. Similarly, the calculated ANOVA shown in appendix 6 tests the impact of CEO's innovative proficiency on the gender differences and growth of Small and Medium Enterprises in Ondo State. F value of 30.933 with the P-Value of 0.00 less than 5% significance level means the null hypothesis should be rejected. This implies that CEO's innovative proficiency has significant impact on the gender

differences and growth of Small and Medium Enterprises in Ondo State. Finding showed that CEO's innovative proficiency has significant impact on the gender differences and growth of Small and Medium Enterprises in Ondo State. Jiang and Akbar (2018) found that the female CEOs of companies from both non-polluting and polluting industry increase in corporate environmental investment. The results shown that Building on the above set of arguments, we suggest that female CEOs are better than their male colleagues to improve environmental practices in SMEs.

5. CONCLUSION

The study concluded that CEO's education qualification has significant impact on SMEs profitability in Ondo State. CEO's oriented skills has significant impact on the Small Medium Enterprises profitability in Ondo. CEO's innovative proficiency has significant impact on the gender differences and growth of Small and Medium Enterprises in Ondo State. Based on the findings made from the study and the conclusion drawn

6. RECOMMENDATIONS

The study recommended the following In view of the conclusions reached in this study:

- CEO's education qualification is an important element which cannot be neglected as regards the performance of SMEs to make profitability. CEOs of small and medium scale enterprises should therefore endeavour to start up business in areas where they are very familiar with both economically and conventionally.
- Also, they should be aware of business risk and their individual attitude towards risk. CEOs should therefore embrace and practice innovative proficiency attitude that will best suit the performance of their business enterprises.
- Business owners should therefore endeavour to make customers' needs and preference a priority as this will result to an increase in the level of the profit of their business enterprises.

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