

LOCUS CONTROL AND BUSINESS GROWTH OF ALUMINUM ROOFING SHEET COMPANIES IN PORT HARCOURT, RIVERS STATE

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ABSTRACT

This study was to examine the relationship between locus control and business growth of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State. Most businesses lack the competencies that allow them to be competitive in the market; hence the alarming failure rates occur, especially during the first 5 years of their existence. The specific objectives among others focused in the study were: to determine the relationship between locus of control and financial strength of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State. The study was anchored on Resource Based theory. The population of the study comprised of twenty (20) selected Aluminum Roofing Sheet Companies in Port Harcourt, Rivers State with one hundred (100) top management staff as the respondents. However, a census study was employed in this study because the population under consideration was small. Census study is used to ensure accurate results. The study concluded that, in order to diminish the negative consequence of the challenging business environment it is important that the entrepreneurs act proactively within the environment. It was recommended among others that, there is need for entrepreneurs to take up a variety of tasks.

Keywords: Locus Control Entrepreneurial Orientation, Business Growth

INTRODUCTION

The business division has a significant role in the economic development of most countries of the world and notably vital for-profit generation to owners (Ebiringa, 2011). It is, therefore, a known fact that businesses contribute meaningfully to achieving general economy development. This contribution can bring about a surge of GDP, improvement in the way of living, and reduce the rate of unemployment (Perks & Smith, 2006). As a result of these facts, any economy should maximize the benefit provided by such venture. However, Nigeria has not been able to identify the full importance of this sector despite the country position as the world leader in entrepreneurial spirit (Global Entrepreneurial Monitor, 2012) Entrepreneurship competencies are vital to the growth and survival of enterprise (Amatori, 2006). Therefore, competencies are the knowledge demonstrated through actions or a unique performance in certain situations. Competencies are attained and developed through training (Zehra, 2016). Nevertheless, reaching maintainable business growth is a task that requires special competencies (Perks & Smith, 2006). With the above scenario, it is most likely for a business to succeed more if business owners could have sufficient entrepreneurial competencies. These competencies provide benefit for start-ups and it is as well useful throughout the lifecycle of a business.

Previous studies have attempted to categorize entrepreneurial characteristics and competencies. Huck and McEwen (1991) found that most vital competency areas for Jamaican entrepreneurs are planning, budgeting and marketing. Whereas, Chandler and Jansen (1992) emphasized that the capability to identify and forecast, taking advantage of opportunities to see business creation through to end are very important. By viewing the

real behavior of an entrepreneur, the characteristics of entrepreneurial competencies can be investigated from process perspectives. Man et al. (2008) defined the entire capability of the entrepreneur to execute the job role fruitfully as the entrepreneurial competency and their work. The authors identified six major competency areas as: opportunity, organizing, strategic, relationship, commitment and conceptual competencies. The entrepreneurial personal traits and learners skill, if carefully followed can produce outstanding growth and maximize profit in the business. According to Man et al. (2008) relationship competencies speak about interactions, e.g., co-operation with environment, using relations, persuasive ability, communication and interpersonal skill. As described by Bird (1995) the relationship building is considered as entrepreneurial bonding, which comprises relationship making and reforming.

A few studies have been conducted to identify the relationship between managerial or entrepreneurial competencies and growth of the business (e.g. Chandler & Jansen, 1992; Chandler & Hanks, 1994; Man *et al.*, 2008). Rarely has any empirical study examined the link between entrepreneurial competencies as it involves the intersection of personal traits and learners' skills. This is the research gap this study seeks to fill by examining the competencies required for entrepreneurial growth: the intersection of personal traits and learners skills. So, the purpose of this study is to develop an understanding of the essentiality of entrepreneurial competencies and how these competences can impact business growth. This study aims to examine the influence of entrepreneurial competencies for achieving a successful business and identified the most valuable competencies that can contribute to business growth.

Research Hypotheses

Ten research hypotheses were formulated to guide the study and tested at 0.05 level of significance

H₀₁ There is no significant relationship between locus of control and financial strength of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

H₀₂ There is no significant relationship between locus of control and market growth of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

H₀₃ There is no significant relationship between locus of control and business size of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Locus of Control

Locus of control stems from social learning theory (Rotter, 1954) and Weiner's (1974, 1985) attribution theory, and refers to a person's perception about the underlying root causes of successes or failures in his or her life (Heider, 1958; Lefcourt, 1966; Rotter, 1966; 1975; Weiner, 1974). When individuals most often believe their successes and failures are due to factors within their control, they are viewed as having an internal locus of control (i.e., success or failure happened because of effort the individual put forward or did not put forward). If individuals most often believe their successes and failures are due to something outside of their control (i.e., success or failure happened because of luck or task difficulty), they are regarded as having an external locus of control.

For extensive reviews of the literature on locus of control and attribution theory, Assouline *et al.* (2006), Carton and Nowicki (1994), Findley and Cooper (1983), and Lefcourt (1982). Attribution interpretations can lead to both positive and negative reactions. For example, if an individual interprets a failure as the result of too little effort (an internal locus of control), he or she likely believes that increased effort will make a positive change in the outcome.

Those with an internal locus of control are more likely to strive for achievement, work to improve their situation, apply what they learn toward positive outcomes for the future, and persist in the face of failure (Findley & Cooper, 1983). Conversely, if an individual interprets a failure as the result of a difficult exam or an unfair instructor (an external locus of control), he or she may believe that his or her performance is due to factors beyond his or her control and may not see any reason to hope for future improvements.

Internal Locus

If you have a strong internal locus of control, you will likely feel that you're in full control of the events in your life. You are self-motivated and focused on achieving the goals you have set for yourself. For these reasons, people with a strong internal locus of control often make good leaders (Kliever, & Sandler, 1992). However, there is a potential downside to having a very strong internal locus of control. Your powerful self-belief may mean that you find it difficult to take direction, so be careful to avoid seeming arrogant or "walking over" other people in pursuit of your objectives. And be sure to manage risks properly random events do occur for all sorts of reasons.

A very strong internal drive may lead you to believe that you can control everything, and if your plans don't work out you may feel responsible for their failure – even when events were genuinely beyond your control. This can lead to frustration, anxiety and, in extreme cases, stress or depression.

External locus

If you have an external locus of control, you likely believe that what happens to you is the result of luck or fate, or is determined by people in authority. You may tend to give up when life doesn't go your way, because you don't feel that you have the power to change it (Carton, & Nowicki, 1994).

To overcome this, pay attention to your self-talk. When you hear yourself saying things like "I have no choice," or "There's nothing I can do," step back and remind yourself that you can always make choices. Set goals for yourself and note how you are making positive changes in your life by working toward and achieving these goals. You will find that your self-confidence quickly builds (Asberg, & Renk, 2014). You may find it useful to develop your decision making and problem-solving skills. These tools can enable you to take greater ownership of situations, rather than blaming circumstances or forces "beyond your control" when things go wrong.

While there are advantages and disadvantages to having an internal or external locus of control in different settings, many psychologists and researchers agree that having an internal locus of control is ultimately the healthier attribute (Crandall & Crandall, 1983). Studies conducted with college students indicate those students with an internal locus of control show more success in adjustment to college life than those with an external locus of control (Martin & Dixon, 1994), those students with an internal locus of control had above average college course grades (Kirkpatrick *et al.*, 2008), and an internal locus of control generally predicts greater academic success overall (Carden *et al.*, 2004; Keith *et al.*, 1986). Further, when college students move from an external to an internal locus of control their grades tend to improve (Noel *et al.*, 1987).

Concept of Business growth

Business growth is a central topic in the literature on entrepreneurship, strategic management and industrial organization, among others. For an individual entrepreneurial

business growth is an evidence of the return of the entrepreneur's investment and self-fulfillment. Growth is also a condition of survival for young and small businesses, as growing businesses are found less vulnerable to failure than non-growers (Stam *et al.*, 2006). The macroeconomic importance of business expansion was recognized in the 1980s, when the phenomenon of gazelles or high-growth businesses was first described as those capable of intense size increases within a limited time span (Birch, 1981; Birch & Medoff, 1994; Birch *et al.*, 1994; Storey, 1994; Coad, 2009; Acs *et al.*, 2008). According to empirical research gazelles form a small fraction of business population. However, they represent a disproportionately large share in new job creation (Storey, 1994; Coad 2009; Stam *et al.*, 2006; Acs *et al.*, 2008). Growing businesses are also more likely to generate innovations, specifically product innovations involving technological advancements (Coad, 2009; Schreyer, 2000; Storey, 1994; Smallbone *et al.*, 1995).

Both entrepreneurs and policy makers interested in expansion, focus on rapidly growing businesses and on small and medium-sized enterprises. This interest in high-growth enterprises is justified by the observation that the remaining population either grows slowly or does not perform any expansion (Coad, 2009). At the same time, gazelles are predominantly young, small and medium-sized enterprises (SMEs). The dynamics and economic contribution of business' growth are negatively associated with age and size, which corresponds to the observation that job losses are generated mainly by the established, large and non-growth businesses (Acs *et al.*, 2008).

As business expansion and growth have proved to be a condition for competitive advantage both at the level of individual businesses and at the level of the economy at large, the phenomenon of business growth has become a focus of research. One of the main purposes of this increasingly preeminent study stream is to provide recommendations for business management and for economic policy, undergoing the risks and challenges in achieving expansion. However, in order to provide these recommendations, there is need to better comprehend the entrepreneurial motivations and the attitudes towards growth, the stimuli and impediments to company growth, the potential mechanisms to business growth and modes of expansion. This special issue seeks to contribute to the knowledge base on the growth process of entrepreneurial businesses, which is an emerging stream of research on business growth. This emerging stream complements existing perspectives on expansion, which are more focused on: 1) companies' internal adaptation mechanisms, as reflected in life cycle models, and on 2) determinants and predictors of business growth (Dobbs & Hamilton, 2006; McKelvie & Wiklund, 2010). The focus provided in this special issue as complementary to existing approaches, aiming also to contribute with new findings in addressing some yet underexplored areas. The emerging stream of growth refers to why and how growth is implemented through proactive entrepreneurial actions and decision-making processes, which are presented in complex organizational and environmental contexts, including cause-effect mechanisms in the history of company development. This holistic approach is a constituent feature of studies on the business growth.

Resource Based Theory

The resource-based theory was developed by Penrose in 1959. It seeks to explain why business performance differs within industries. The main argument of this theory is that sustainable competitive advantage stems from a business's possession of heterogeneous and immobile resources that are valuable, rare and inimitable. It therefore postulates that, differences in business performance within an industry are as a result of the business's

specific resources that cannot be easily imitated by its competitors. The idea of competitive advantage is based on measuring the level of a business's success relative to its competitors. Previous studies that used this theory include Conner (1991), who found that the greater the linkage of an input to the business's existing asset base (degree of an input's specificity), the greater the input's rent potential to that business. Tripsas (1997) also shows that, when incumbents experience a technological disadvantage in the face of competence-destroying technological change, the extent to which that disadvantage translates into a commercial disadvantage depends upon the other assets possessed by established businesses. Spanos and Lioukas (2001) confirmed this view by suggesting that industry and business specific effects are both important but explain different dimensions of performance. According to their results, industry forces influence market performance and profitability while business assets influence profitability via market performance (the direct influence of business assets on profitability is weak and insignificant). Coff (1999) proposed that resource-based view has a bargaining power model to predict when rents will be generated and who will appropriate them.

However, mere possession of business specific resources does not guarantee competitive advantage. For a business to perform successfully, it has to first identify business's specific resources and then develop strategies on how to manage the resources properly. This is supported by Brady *et al.* (2007) who argued that resources alone are not likely to produce a sustainable competitive advantage, rather resources must be managed appropriately in order to produce value. Hence, effective management of resources obliged the entrepreneur to be self-motivated, possess the appropriate skills in managerial functions and the required characteristics. It is therefore argued that the business's ability to perform and grow successfully depends upon the entrepreneurial competence which will enable the business to manage its available resources effectively and efficiently. In the case of SMEs, the entrepreneur is expected to be an agent for the management and to do that the entrepreneur needs the relevant motives, skills and characteristics.

Population for the Study

The population of the study comprised of twenty (20) selected Aluminum Roofing Sheet Companies in Port Harcourt, Rivers State with one hundred (100) top management staff as the respondents. The choice of these Aluminum Roofing Sheet Companies is because they are over twenty-year-old and the market leaders in the Aluminum Roofing Sheet Companies in Port Harcourt, Rivers State.

Instrument for data collection

The instrument for data collection for the study was questionnaire.

Method of Data Analysis

Data analysis techniques have to do with the method for interpreting data collected on a subject matter. In this study, frequencies and measures of central tendencies like mean scores and dispersion like standard deviation was used for the primary analysis while the spearman rank correlation coefficient and the statistical package for social sciences (SPSS) was used for the secondary data analysis and test of hypothesis.

The Spearman's Rank Correlation Co-efficient has the following formula:

$$R_s = 1 - \frac{6\sum d^2}{n(n^2-1)}$$

Where $\sum d^2$ = sum of the squared differences in the ranking of the subject on the two variables.

n = number of subjects being ranked.

Hypothesis 1

H₀₁ There is no significant relationship between locus of control and financial strength of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Table 1 Correlation between Locus of Control and Financial Strength

			Locus of Control	Financial Strength
Spearman's rho	Locus of Control	Correlation Coefficient	1.000	.505*
		Sig. (2-tailed)	.	.000
		N	82	82
	Financial Strength	Correlation Coefficient	.505*	1.000
		Sig. (2-tailed)	.000	.
		N	82	82

*. Correlation is significant at the 0.05 level (2-tailed).

The hypothesis testing results shows that the probability value is 0.000 which is less than the critical value of 0.05. The null hypothesis is rejected and the alternate hypotheses is accepted which states that,

H₀₁ There is significant relationship between locus of control and financial strength of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Again, the correlation coefficient of 0.505 shows the strength of relationship between locus of control and financial strength is very moderate.

Hypothesis 2

H₀₂ There is no significant relationship between locus of control and market growth of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Table 2 Correlation between Locus of Control and Market Growth

			Locus of Control	Market Growth
Spearman's rho	Locus of Control	Correlation Coefficient	1.000	.583*
		Sig. (2-tailed)	.	.000
		N	82	82
	Market Growth	Correlation Coefficient	.583*	1.000
		Sig. (2-tailed)	.000	.
		N	82	82

*. Correlation is significant at the 0.05 level (2-tailed).

The hypothesis testing results shows that the probability value is 0.000 which is less than the critical value of 0.05. The null hypothesis is rejected and the alternate hypotheses is accepted which states that,

H₀₂ There is significant relationship between locus of control and market growth of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Again, the correlation coefficient of 0.583 shows the strength of relationship between locus of control and market growth is very moderate.

Hypothesis 3

H₀₃ There is no significant relationship between locus of control and business size of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Table 3 Correlation between Locus of Control and Business Size

			Locus of Control	Business Size
Spearman's rho	Locus of Control	Correlation Coefficient	1.000	.674*
		Sig. (2-tailed)	.	.000
		N	82	82
	Business Size	Correlation Coefficient	.674*	1.000
		Sig. (2-tailed)	.000	.
		N	82	82

*. Correlation is significant at the 0.05 level (2-tailed).

The hypothesis testing results shows that the probability value is 0.000 which is less than the critical value of 0.05. The null hypothesis is rejected and the alternate hypotheses is accepted which states that,

H₀₃ There is significant relationship between locus of control and business size of Aluminum Roofing Sheet Companies, Port Harcourt, Rivers State

Again, the correlation coefficient of 0.674 shows the strength of relationship between locus of control and business size is very moderate.

CONCLUSION

In order to diminish the negative consequence of the challenging business environment it is important that the entrepreneurs act proactively within the environment. Entrepreneurial competencies are becoming more important but some entrepreneurs are not creative, not risk takers, not passionate about what they do, not proactive and not available or willing to learn new skills either because of lack of knowledge, or lack of information. This can only be achieved when the owners of the business themselves try as much as they can to be innovative, risk takers, passionate, dutiful, and ready to learn new skills that will make them competent. Entrepreneurs are challenged to step up their competencies in order to succeed in entrepreneurial actions.

RECOMMENDATIONS

From the findings of this study, it is recommended that;

1. Entrepreneurs must make sure they work hard to provide all their needs
2. Entrepreneurs must work hard for success and not depend on luck or faith
3. Business owners must have relationship with many other companies like banks, suppliers of raw materials, etc.
4. Organizations must from time to time add some new types of products and services

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