Cultivating Entrepreneurial Capacities in Small and Medium Scale Construction Firms For a Sustained Economy

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Abstract: A developing country like Nigeria continuously needs the impact of entrepreneurs to contribute to her economic growth and development. The construction industry, known to be an important sector in any nation and one of the services sectors that has a great influence on a country’s economy has a wide scope and is vastly diversified. The vast nature of the industry has posed a wide range of business opportunities for entrepreneurship, allowing startups of small and medium scale enterprises (SME) in the sector. However, despite the diverse opportunities in the sector, many of these new and existing SME construction firms in Nigeria have been forced to pack up as a result of high rate of entrepreneurial failure. This paper therefore highlights entrepreneurial capacities of the SME Nigerian construction firms as an important factor for their sustainability, thus assessed those important entrepreneurial capacities that are required of SME construction firms for continuous and effective existence. The study utilized both secondary data from past works and primary data sourced by administering a structured questionnaire to construction professional of SME construction firms located across Lagos state. A total of 100 questionnaires were distributed and 90 were returned. Collected data were analyzed using percentage distribution and Relative Importance Index (RII) for proper data presentation. This study showed that majority of the respondents (80%) agreed that
entrepreneurial capacity in SME construction firms is significant for sustainability. Results also showed that innovativeness, financial management, ability to exploit new opportunities and strategic planning are high in importance as entrepreneurial capacities required by SME construction firms in Nigeria to sustain their existence. Other capacities highlighted include time management, human resource management, business ethics, and communication etc.

**Keywords:** Entrepreneurial capacities, Small and Medium scale, Sustainability, Construction firms

1. **Introduction**

Entrepreneurship has become a vital instrument in the development and growth of any nation’s economy as though it involves the creative process of organizing, managing and assuming risks and rewards of an enterprise (Ketchen, 2003). Entrepreneurship can thrive in various sectors or industry of a nation’s economy. However, the construction industry is one of the important sectors of any country owing to its contributions to the economy of such country.

A developing country like Nigeria however continuously needs all hands on deck to boost and sustain its economy, which is why the impact of entrepreneurs cannot be overemphasized (Ariyo 2005). The construction industry is an important service sector that provides a diverse range of products as well as enterprises. The industry has a wide scope and is vastly diversified. The vast nature of the sector has posed a wide arrange of business opportunities for its professionals and entrepreneurs to utilize and thus allowing startups of small and medium scale enterprises (SME) within the sector. Mafimidowo & Ijyagba (2015) prescribes that SMEs have become key players in the growth of Nigeria’s economy by alleviation of poverty and creation of employment.

However, despite the diverse opportunities in the sector, many of these new and existing SME construction firms in Nigeria have been forced to pack up as a result of high rate of entrepreneurial failure. Entrepreneurship involves dynamism as it is more than just starting an enterprise but also involves sustaining the enterprise. Past studies have however attributed the failure of SMEs construction firms to inadequacy of financial resources neglecting other equally important factors that contributes to the successful entrepreneurship. These other factors are entrepreneurial capacities.

This paper therefore highlights several entrepreneurial capacities required of the small and medium scale construction firms in Nigeria as important factors for their sustainability as reviewed from past literatures. Furthermore, it assessed the relative importance of the entrepreneurial capacities that are required of SME construction firms for continuous and effective existence.

2. **Literature Review**

2.1 **Concept of Entrepreneurship**

Shane & Venkataraman, (2000) describes entrepreneurs as those who discover, assess and exploit opportunities, to produce new products or services that do not previously exist by their own devised process of
production, utilizing new strategies. Schumpeter (1934) holds that an entrepreneur is an innovator, that is, someone that does things in a new way, supplies new products or services, discovers new methods of production, and identifies new potential markets. Entrepreneurship, according to Reynolds (2005) is a process of discovering opportunities and creating an economic activity by creating a new organization. Hisrich & Peters (2002) defines entrepreneurship as risk taking process of creating, organizing and managing something new. Four important aspects of entrepreneurship were identified from this definition, namely:

- Creation Process of something new to the customer and entrepreneur,
- Entrepreneurship requires period of necessary time and efforts
- Involvement of risk taking – financial, Social, and psychological
- End product reward in terms of satisfaction, profit, independence etc.

This same definition approach was adopted by Awodun (2005), who describes entrepreneurship as an act of identifying opportunities in one’s environment, engineering resources to take advantage of such opportunities, to ensure that customers get new or improved goods or services, and in the long term making profit from the enterprise. Entrepreneurship hence involves learning the skill required to establish and manage a business, with the risk involved with persistence and passion. Entrepreneurship involves any purposeful activity that initiates and develops a business that is profit oriented by interacting with the internal nature of the business as well as the economic, political and social circumstance of the business (Aina & Salao, 2008).

The concept of entrepreneurship therefore refers to all that an entrepreneur does, ranging from indentifying a business opportunity, to taking risk, and then aggregating and utilizing all forms of resources to create a new business enterprise and maximize profit from it. The art of entrepreneurship is dynamic in nature, that is, there is no specific rule of thumb to go about it. However, certain characteristics and managerial skills are required of an entrepreneur to be successful. Some of these skills include the ability to create ideas and plan adequately and effectively; capacity to manage other; ability to effectively manage time as well as learn new methods in operating business operations; and capacity to be dynamic in adopting change and be able to deal with environmental changes that may arise (Enuoh, 2009).

2.2 Entrepreneurship in Nigeria

Entrepreneurship in Nigeria has dated way back to the existence of man itself, that is to say it is not a thing that has been in the dark before now. It began when man started creating and accumulating wealth. According to Nwokoye et al. (2013), entrepreneurship in Nigeria if often discussed under the context of small and medium scale enterprises. Nwokoye et al went further to confirm that economists have long time identified the advantages of entrepreneurship to the development of a nation’s economy and that the fastest way to achieve economic growth is by the creation of new small enterprises
and sustaining the growth of the existing ones. However, for entrepreneurs to function maximally and efficiently, they need an enabling environment. The federal government, as well as state and local governments in Nigeria in acknowledgement of the importance of entrepreneurship in the development of the country’s economy, is consciously and continuously creating enabling climate for entrepreneurial activities. In light of this they have put up policies, schemes, and programs to aid the establishment of small scale businesses and development. Those program established includes:

2.2.1 Small and Medium Enterprise Equity Investment Scheme (SMEEIS)
This scheme was established by the Federal government of Nigeria through the Central Bank of Nigeria (CBN) in the year 2000, as part of ensuring easy access to funds for small and medium scale enterprises through all commercial banks. The scheme requires all commercial banks setting aside about 10% of their profit after tax for the purpose of investment in SMEs.

2.2.2 Bank of Industry (BOI)
This scheme was established by the federal government with a view to providing short and long term funds to small and medium scale enterprises as well as expansion, diversification and modernization of existing enterprises at generous interest rates.

2.2.3 Small and Medium Enterprises Development Agencies of Nigeria (SMEDAN)
Unlike other schemes that provide funds to business operators, SMEDAN was established to help potential business operators and existing ones in preparing a good business plan and help them with gaining easy access to funds from other sources providing information and support services.

2.2.4 Microfinance Banks
Central Bank of Nigeria established the microfinance and framework for the country in 2005, which was then revised in 2011. Microfinance banks evolved from the former community banks, and are involved in eliminating urban bias in providing financial services to SMEs (Central Bank of Nigeria, 2011).

2.2.5 Corporate Institution Initiative
This initiative came as part of social responsibility of corporate organizations to the communities in which they operate. They provide funds to viable small and medium enterprises so as to develop the economy of such community. Although, these several schemes have shown that Nigerian government is making every effort to ensure that financial services are made available to prospective small and medium scale entrepreneurs to ensure that they are successful with their enterprises, but with more emphasis laid on providing funds, other success factors that should also be put in place for an entrepreneur to achieve a measure of success have been neglected. These other success factors are entrepreneur capacities and are equally important. They are those features that an entrepreneur must possess to be able to sustain an enterprise in the face of a dynamic environment.

2.3 Small and medium Scale Construction Firms in Nigeria
In different countries, the industries or sectors can be categorized using various yardsticks. One of which is by size of
manpower, turnover and so on. According to Ajagbe & Ismail (2014), other yardstick that has been used to categorise firms includes the value and quantity of assets; human and other resources that is employed. Small and medium sized firms therefore are non-subsidiary and independent firms that employ fewer employees and fewer resources. Small and medium scale construction firms in Nigeria therefore are small scale entrepreneurships that undertake construction activities with a limited capital outlay, numbers of employees, and fixed capital investment. They also tend to own less plants and machinery and have a small market area and fewer locations.

2.4 Entrepreneurial Capacities
Capacity in this context is the potential ability to perform an assigned task effectively. An entrepreneurial capacity is explained by having the features, abilities and characteristics to competently be an entrepreneur. Competent entrepreneurs are able to meet their expectations as regarding their performance towards running a business, bearing all the risks and rewards. Entrepreneurial capacities describe the skills an entrepreneur must possess to help them perform their responsibilities. These capacities are clusters of knowledge, skills and attitude that an entrepreneur that wants to be successful must be equipped with. According to Iyang (2002), SME firms thrive better and are more productive when they apply people based approach. The techniques or approaches listed includes; employee motivation, employee training and development, effective communication. While other studies identified the capacities required of an entrepreneur to include; good decision making, innovativeness, effective management of all resources, good leadership abilities, and so on. The following are therefore the diverse entrepreneurial capacities that contribute to successful entrepreneurship.

2.4.1 Time Management
Time management involves planning and managing the amount of time spent on a specific activity. A good time management is getting more done in less time. Time management has been a major area for assessing entrepreneurs, especially in a labour intensive construction industry where time overrun has bad implications. An entrepreneur must therefore be able to manage time effectively to be successful (Ilesanmi, 2000). The skill of effective time management is transferable, as principles of time management are being taught. Ilesanmi, (2000) presents some banes to effective time management to include poor decision making, inability to delegate, procrastination and so on, he furthermore emphasized that entrepreneurs must learn to manage time in an effective way by learning how to make good decisions between alternatives, by keeping records and avoiding procrastinations or interruptions.

2.4.2 Human Resources Management
Human resource management involves management of people in an organization. It is the process of employing people to perform certain tasks, defining job specifications, creating policies to guide their conducts as well as rewarding and compensating them appropriate for their optimal
performance. Material, cash or capital, and other resources are important to any firm, but these resources are always being aggregate by humans, making humans notably important to every firm. Managing human resources effectively therefore becomes paramount to the success of any enterprise as other resources depend on human resources. The construction industry is confirmed to be labour intensive as most of the works are done manually by humans, even the operation of machineries is done by humans. Therefore, an entrepreneur providing construction services in the construction industry must possess a sound capacity to effectively manage human resources.

2.4.3 Effective Communication

The capacity of an entrepreneur to effectively communicate is a great virtue as it is important for decision making, execution of tasks, effective delegation, and a good public relation. Effective communication involves passing across information to another or others in the right way, in the right tone, as precise and concise and as clear as possible barring all barriers to effective communication. The various effective communication skills an entrepreneur must possess includes active listening, asking questions, taking feedbacks, being clear, being empathetic, and being precise and concise when communicating.

2.4.4 Innovativeness

In the construction industry, innovation has been regarded as paving way with making improvements on the construction methodology and construction materials. Acquisition of knowledge, conducting researches and experiments with the aim of improving the construction industry has been a major means fuelling innovativeness in the industry. Innovation in the construction industry has brought about cheaper, safer, more sustainable, eco-friendly, better aesthetic, more maintainable improvements and alternatives to the existing methods and materials. Innovativeness is profitable, hence every construction firm must be able to deliver the best trending practices to remain valuable and in business.

2.4.5 Leadership

Every successful entrepreneur has a good leadership capacity (Ilesanmi, 2000). Leadership is the capacity of an individual or group of individuals to lead or guide others; usually a team or organization. The success of any firm in the present competitive global economy depends largely on the leadership of such enterprise of organization. Leadership in any construction firm is saddled with seeking opportunities, making decisions, initiating projects, aggregating all resources (human, material and financial), setting of goals and objectives for the organization. (Ilesanmi, 2000). However, effective leadership includes strong characters and assumption of responsibilities.

2.4.6 Ability to exploit new opportunities

Exploitation of new opportunities is an important process in ensuring a successful business in the entrepreneurial process. This brings about new products and services that help distinguish an enterprise from its competitors. Exploiting of new opportunities may involve filling an existing gap, creating a cheaper alternative to an existing product or
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The decision of the perfect time to exploit opportunities is crucial in sustaining a business enterprise. The essential entrepreneurial activities before exploitation involve researching into the market for potential demand and customers (Chrisman & McMullan, 2000), followed by the testing of the product, service or technology, putting in place the management team and generating support from stakeholders (Rice, 2002).

2.4.7 Financial management

Financial management refers to the planning, organization, management and controlling of financial activities, which includes procurement and utilization of funds in an enterprise in a way to accomplish the set financial objectives of the firm. The process involves the application of general management rule to the financial resources of an organization. Capital in form of money and assets is required for the start up of every firm. One of the attributes of a successful entrepreneur is his ability to source for funds for enterprise (Ojong, 2005). A good financial manager (entrepreneur) must be able to anticipate financial needs, acquire funds, and maintain the firm’s saving, insurance and investments in the right proportion. The purpose of financial management is to ensure there is adequate cash to meet the current and capital expenditures as well as maximize growth and profits (Nwachukwu, 2005)

2.4.8 Market Management

Market management is referred to the process of developing strategies and planning for product or services sales, advertising and promotion to reach the desired market and customers. A good marketing management gives an enterprise an edge in a competitive market. It is pertinent for new business enterprise to have good marketing skills to ensure its growth and sustainability, that is, continuous success (Hisrich & Peters, 2002). Ebitu (2005) posits that market management is important for the growth and survival of any enterprise. In the face of a changing and dynamic market place, marketing is therefore a continuous process.

2.4.9 Business Ethics

Business ethics involves the standards, principles, norms and value set that govern the actions and behaviors of any individual in a business settings or organization. These ethics, sometimes called management ethics involves the application of moral, decent, honest, humane, responsible, honorable and conscientious principles to business relationships and dealings. It is the duty of an entrepreneur to ensure that ethical status is maintained in his organization as all other employees must follow suit which will boost the company’s reputation, its economy as well as its finances. Therefore, any business enterprise exhibiting a very good business ethics is posed for longevity.

2.4.10 Decision Making

Decision making is one of the most critical processes in any business. An entrepreneur must make diverse kinds of decision on a day to day basis. Some decisions have great impact while some have little or no significant implication their businesses. Decision making involves the selection of a course of action amongst alternatives (Iyang, 2004). Decision making in also required when solving problems in business.
area. A total of 100 questionnaires were distributed and 90 were returned. Collected data were analyzed using frequency and percentage enterprises and the steps required includes; recognizing the problem or the gap, analyzing the problem, defining possible solutions, analyzing all possible solutions, selection of the best course of action, and implementing the decision (Dean, 2016).

2.4.11 Social Responsibility
The amount of profits that an enterprise generates is what attracts shareholders to buy shares and private capital owners to invest their capitals in enterprise. Social responsibility therefore describes the idea that an enterprise or an entrepreneur has an obligation to contribute positively to the society in which they operate. It is a means of balancing economic growth, welfare of society and environment. Small and medium scale business are however also expected to affect some social responsibilities in the society in which they operate, be it little compared to larger organizations. These responsibilities endear the enterprise or individual to the community they operate, boosting his image and in the long run leading to the success of such business.

2.5 Impact of Entrepreneurship in SMEs Construction firms on Nigeria’s Economy
Entrepreneurship in Nigeria has dated way back to the colonial era when people exchanged goods for goods and services known as trade barter. However, it is difficult to accurately measure the socio-economic impact of entrepreneurship on economic growth, but it can be confirmed that the impacts are significant. Entrepreneurship is said to be the landing pad for innovation, invention and introduction of new products and services to consumers. Entrepreneurship allows entrepreneurs to fuel economic growth of a country (Ketchen, 2003). According to Ariyo (2005), entrepreneurship has been beneficial to Nigeria’s economy as 50% of the country’s populations are employed by private sector comprising of the small and medium scale enterprises. A comprehensive assessment of the impacts of entrepreneurs revealed that they contribute significantly to the country’s development as presented by the Central Bank of Nigeria (CBN) over the years. Entrepreneurs create jobs, provides services and products needed in the country, they create wealth for themselves and their country. The construction industry is one of the important sectors of any country as it contributes greatly to economic growth. Its labour intensive nature guarantees job opportunities. The industry is diversified as it involves a lot of clients, including the government in providing building facilities and infrastructures for the use of other sectors such as health, education, transport and so on.

3.0 Methodology
The study utilized both secondary data from past works and primary data sourced by administering a structured questionnaire to construction professionals of randomly selected Small and Medium Scale construction firms located across Lagos state being the study distribution. Relative Importance Index (RII) and spearman’s rank order statistics were used to aid
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proper presentation and interpretation of data.

4.0 Data Analysis and Discussion of Findings

4.1 Distribution of Respondents’ Profession/Discipline

The table 4.1 below shows the distribution of the respondents’ profession or discipline. The respondents’ profession varied as builders, architects, engineers, quantity surveyors and estate surveyors; who are all professionals in the built environment. Most the respondents are however architects with a distribution frequency of 28.9% followed by builders with a distribution frequency of 26.7%. Engineers, Quantity surveyors and Estate surveyors followed suite with frequency distribution percentage of 21.1%, 13.3% and 10% respectively.

<table>
<thead>
<tr>
<th>Profession/Discipline</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Builder</td>
<td>24</td>
<td>26.7</td>
<td>26.7</td>
</tr>
<tr>
<td>Architect</td>
<td>26</td>
<td>28.9</td>
<td>55.6</td>
</tr>
<tr>
<td>Engineer</td>
<td>19</td>
<td>21.1</td>
<td>76.7</td>
</tr>
<tr>
<td>Quantity Surveyor</td>
<td>12</td>
<td>13.3</td>
<td>90.0</td>
</tr>
<tr>
<td>Estate Surveyor</td>
<td>09</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2 Years of Existence of Respondents’ Firm

The table 4.2 below presents the years of existence of the respondents’ construction firms. Most of the firms that the respondents work with or for have been in existence for 11 – 15 year with a percentage distribution of 50%, 22.2% of the firms have existed for 6 – 10 years, 14.5% of the firms have existed for more than 15 years and the least distribution of 13.3% for firms with 1 – 5 years of existence. This distribution is good for results as majority of the firms have existed for more than 5 years. This aided the responses of the respondents towards entrepreneurial capacities required for sustainability in SME construction firms.

<table>
<thead>
<tr>
<th>Years of Existence</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5 years</td>
<td>12</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>20</td>
<td>22.2</td>
<td>35.5</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>45</td>
<td>50</td>
<td>85.5</td>
</tr>
<tr>
<td>Above 15 Years</td>
<td>13</td>
<td>14.5</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3 Entrepreneurial capacity in SME construction firms is significant for sustainability.

The table 4.3 below presents the response of the respondents towards their perception about entrepreneurship.
capacity in SME construction firms being significant for sustainability. Majority that is 80% of the respondents agreed that an entrepreneurial capacity in SME construction firms is significant for sustainability while 20% of the respondents disagreed. Therefore, majority of the respondents agree to the significance of entrepreneurial capacities in SME construction firms.

Table 4.3 Significance of Entrepreneurial capacity in SME construction firms for sustainability.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>No</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4 Entrepreneurial capacities required in SME construction firms for sustainability.

The table 4.4 below presents the mean response score of the respondents from analyzing the response gotten from a likert type scale of 1 to 5; 1= Insignificant 2= Less significant 3= moderately significant 4= Significant 5= Very significant, to measure the significance of different entrepreneurial capacities in SME construction firms for sustainability. The table also presents the Relative Importance Index of the responses, hence helping the rank of the entrepreneurial capacities in order of significance to the construction industry.

Table 4.4 Entrepreneurial capacities required in SME construction firms for sustainability.

<table>
<thead>
<tr>
<th>Capacities</th>
<th>Mean Score</th>
<th>RII</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td>4.32</td>
<td>0.864</td>
<td>1st</td>
</tr>
<tr>
<td>Financial management</td>
<td>4.30</td>
<td>0.860</td>
<td>2nd</td>
</tr>
<tr>
<td>Ability to exploit new opportunities</td>
<td>4.29</td>
<td>0.858</td>
<td>3rd</td>
</tr>
<tr>
<td>strategic planning</td>
<td>4.25</td>
<td>0.850</td>
<td>4th</td>
</tr>
<tr>
<td>Leadership</td>
<td>4.20</td>
<td>0.840</td>
<td>5th</td>
</tr>
<tr>
<td>Effective Communication</td>
<td>4.20</td>
<td>0.840</td>
<td>5th</td>
</tr>
<tr>
<td>Time management</td>
<td>4.17</td>
<td>0.834</td>
<td>7th</td>
</tr>
<tr>
<td>Decision making</td>
<td>4.00</td>
<td>0.800</td>
<td>8th</td>
</tr>
<tr>
<td>Marketing Management</td>
<td>3.97</td>
<td>0.794</td>
<td>9th</td>
</tr>
<tr>
<td>Human resource management</td>
<td>3.80</td>
<td>0.760</td>
<td>10th</td>
</tr>
<tr>
<td>Business ethics</td>
<td>3.77</td>
<td>0.754</td>
<td>11th</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>3.43</td>
<td>0.686</td>
<td>12th</td>
</tr>
</tbody>
</table>

From the table 4.4 above, innovativeness is the most important capacity a SME construction firm must possess, as it has the highest rank with a mean score and Relative Importance Index of 4.32 and 0.864 respectively. Results of the study also present other important capacities that must be present in a SME construction firms for its sustainability, which includes; financial management, ability to exploits new opportunities, strategic
planning, leadership, effective communication, time management and decision making in a descending order of importance with rank orders of 2nd, 3rd, 4th, 5th, 5th, 7th and 8th presented above. Marketing management comes in at rank 9th with a RII of 0.794, while human resource management takes rank 10 with RII of 0.760 before business ethics and social responsibility in rank 11th and 12th with mean item scores of 3.77 and 3.43 respectively. The results presented in the table 4.4 above shows that all entrepreneurial capacities listed are important but the level of importance towards sustainability of SME construction firms differs and thus the premise for the ranking of the entrepreneurial capacities.

5.0 Conclusion
The construction industry in Nigeria is vast and has posed a landing pad for entrepreneurs over the years, but the problem of sustainability for startups and existing SME construction firms have existed over the years. Much emphasis been laid on lack of funding as the main cause for SME construction firms failure, neglecting entrepreneurial capacities.

This study however showed that entrepreneurial capacities in SME construction firms are other critical success factors. Entrepreneurial capacities such as innovativeness, financial management, ability to exploit new opportunities and strategic planning, and leadership are high in importance as entrepreneurial capacities required by SME construction firms in Nigeria to sustain their existence. Other vital capacities highlighted include time management, decision making, human resource management, business ethics, effective communication and social responsibilities.

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