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ENTREPRENEURIAL BEHAVIOUR AND THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISE IN KWARA STATE

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Abstract

This research looked at how entrepreneurial conduct affected small- and medium-sized businesses' ability to survive in Kwara State. This study examines the mindset of entrepreneurs as shown by their inventiveness, risk-taking, business acumen, and inventiveness and how these qualities impacted SMEs' success. The study focused on 650 small and medium-sized businesses that were situated in the city of Ilorin. Data was gathered from a sample of 250 SMEs in the city of Ilorin that were chosen using a stratified random sampling procedure using a self-administered questionnaire. With the use of the Statistical Package for Social Sciences (SPSS), descriptive and inferential statistics were used to analyse the collected data. Multiple regression analysis and correlation were used to assess the data and evaluate the hypotheses. According to the research, SMEs' success was significantly impacted by their innovativeness, inventiveness, business acumen, and willingness to take risks. The research came to the conclusion that understanding elements that are directly linked to entrepreneurial mentality, such as growth mindset, creativity, motivation, and risk-taking propensity, is crucial in order to develop ways to boost the entrepreneurial mindset. The study therefore recommended that in order to foster innovation among current and future entrepreneurs, policy makers and other stakeholders should build on their entrepreneurial behaviour and approaches to boost the performance of SMEs towards the achievement of sustainable growth.

Keywords: Business Alertness, Creativity, Entrepreneurial Behaviour, Innovativeness, Risk taking

Introduction

According to the World Trade Organisation (2016) and PwC's MSME Survey report (2020), MSME performance across the globe, from America to Europe, Asia, Africa, and especially developing nations, accounts for 90% of business enterprises, 50% of employment, and 40% of GDP in developing economies. MSME behaviour is also crucial to MSME performance. As a result, organisational management and entrepreneurship have given rise to the concept of entrepreneurial behaviour (EB) (Inegbedion, 2022). Consequently, creative, proactive, risk-taking, and valuable strategic person seeking opportunity business are associated with entrepreneurial behaviour (EB) (Amabile et al., 2006).

The World Bank's 2022 report forecasts that 600 million jobs will be needed by 2030 to accommodate the world's growing labor population.¹ Consequently, many governments worldwide have prioritized the development of SMEs. Generally, SMEs are crucial due to their ability to generate employment and economic output on a global scale. They represent 90% of all businesses and over 50% of employment opportunities globally. In emerging economies, registered SMEs contribute up to 40% of the GDP, with this figure rising significantly when including informal SMEs.

Many variables impacting MSME performance, survival, and development make them very vulnerable to failure, both in Nigeria and throughout the world. The value chain, market, and availability of funding for the development of creative and entrepreneurial ideas are the main obstacles impacting their performance. According to PwC's research from 2020, there are deficiencies in infrastructure, insufficient opportunities for consumers and the market, and difficulty obtaining financing. Political and behavioural aspects of people are among the others factors affecting the performance of SMEs in reaching their potentials (Terkula & Adudu, 2017). Therefore, these elements have the ability to manipulate and influence MSME operators' behaviour, encouraging them to be creative and adventurous when coming up with new ideas and taking on riskier ventures.

According to the Schumpeterian Innovation Theory, entrepreneurs who encounter certain mitigating circumstances could have unfavorable perceptions while starting a new company, creating a new product, or looking for new market opportunities. This could deter people from making riskier, aggressive ventures, creating fresh innovation, investing in creative ideas, and exploring new chances (Inegbedion, 2022). The growth and productivity of MSME performance globally, and specifically in Nigeria, are impacted concurrently.

As stated by Bird et al., (2022): "As solo entrepreneurs or as part of a team of entrepreneurs in the start-up or early stages of organisation creation, usually the first six to seven years," the notion of entrepreneurial behaviour focuses on the specific, theoretical acts of people. It takes the form of a distinct unit of distinct actions that viewers may see. The external economic and social players that shape a firm's decisions on direction, course of action, and ultimately performance is known as the institutional framework. Business performance is concerned with the expansion and survival of the company as well as ultimately achieving the owners' objective (Khalid et al., 2023).

It is noteworthy to say that several studies have examined the conduct of persons who start their own businesses due to the peculiarities seen in these individuals. It is well recognized that entrepreneurs have certain traits that set them apart from other individuals. These traits include the capacity for taking calculated risks, a penchant for innovation, and a propensity to seize commercial chances ahead of rivals. What is known as entrepreneurial conduct is the result of combining two or more of these traits. The capacity to see business opportunities and ideas, work on them, and find the material and financial resources needed to make them a reality are all components of entrepreneurial behaviour (Akande et al., 2021).

Because small businesses are so important to the growth of the economy and creation of jobs, the government and other stakeholders in Nigeria, and particularly in the southwest, are very worried about their survival. Martin and Namusonge (2022) estimated that small and medium-sized businesses (SMEs) account for around 99.7% of all businesses worldwide. 53 percent of the private workforce in Nigeria is engaged by small businesses, which also generate 51 percent of the GDP of the private sector and 47 percent of sales (Oyedijo, 2012). Numerous academic works have connected the success of small businesses to the existence of entrepreneurial traits or behaviours that many entrepreneurs display. Taking risks and being innovative are prominent traits of this conduct. Research has shown that company owners with these attributes would be able to operate lucrative and successful enterprises (Shamsu & Fakhrul, 2023).

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2013) further explains that SMEs performed very poor and even below expectations simply due to the problem associated with attitudes and habits of entrepreneurs, who are not proactive in making

timely and strategic decisions when presented with challenges, yet small businesses are said to create employment and contribute to the nation's gross domestic product. Additionally, it was discovered that the rate of SME failure and premature death was influenced by a lack of entrepreneurial spirit, desire, awareness, and good planning, as well as a bad record system that resulted in insufficient capital (Ayeni & Osho, 2011). Even though SMEs are important to the Nigerian economy, little is known about the characteristics of entrepreneurial behaviour that might improve a company's ability to run efficiently. The primary goal of this research is to determine how much entrepreneurial conduct affects the survival or performance of small businesses in Nigeria.

Literature Review

Entrepreneurial Behaviour

According to Middleton (2012), entrepreneurial behavior is defined as a set of behaviors exhibited by business owners that persistently modify, clarify, and position opportunities until they are deemed acceptable by the market and generate new business opportunities as the primary result. Three words best sum up Shane's (2012) description of entrepreneurial behaviour: finding, assessing, and seizing business opportunities. Akala (2015), on the other hand, described entrepreneurial behaviour as the entirety of the procedure, task, and operations connected to opportunity searching and business setup. This refers to the habit of looking for possibilities, seeing chances, making sense of the world, forming organisations, introducing products or services, exchanging ideas, and growing.

Furthermore, it is believed that a variety of social, cultural, economic, political, and psychological elements interact to produce entrepreneurial behavior. Although entrepreneurship may be seen from a variety of perspectives, for the sake of this study, it is defined as the traits and attributes that an entrepreneur exhibits. Therefore, characteristics and traits that may be used to characterize entrepreneurs can be defined as entrepreneurial behaviours. Even better are those characteristics and traits that set entrepreneurs apart from other types of company owners in the community (Eniola & Chima, 2019). Moreover, the assortment of behaviors demonstrated by the entrepreneur may be characterized as entrepreneurial conduct. By continuing to define and adapt prospects and present such conduct as marketable, these acts ultimately result in the creation of new ventures (Middleton, 2020).

According to Bird and Schjoedt (2021), cited in Cavus et al. (2023), "it is the study of human behaviour involved in identifying and exploiting opportunities through creating and developing new ventures as well as exploring and creating opportunities while in the process of emerging organisations." According to Bird and Schjoedt (2021), as cited by Cavus et al., (2023), human behaviour is involved in identifying and exploiting opportunities through the creation and development of new ventures, as well as exploring and creating opportunities while in the process of emerging organisations. According to Akande et al., (2021), entrepreneurial behaviour is any newly developed set of behaviours used by businesses to try to take advantage of business possibilities that their competitors have overlooked or failed to recognise. According to the scholar, businesses engage in entrepreneurial activity on a basic level when they enter new markets, grab the attention of potential clients, or creatively combine their current resources (Oyedokun, 2014). Kuratko (2002) described entrepreneurial behaviour as consisting of three dimensions: one, risk-taking-the readiness to commit large amounts of resources in pursuit of an entrepreneurial opportunity, where the reasonably possible failure would be the opportunity; two, pro-activeness-doing what is necessary to complete the pursuit

of an entrepreneurial opportunity; and three, innovativeness-looking for creative solutions to problems or needs.

Entrepreneurial Risk-taking Behaviour

"The ability of the entrepreneur to recognise risk at its onset and to identify ways to reduce, transfer, or share the risk" is the definition of risk-taking (Ogunsiji & Ladanu, 2010). The capacity and desire of a company to seek strategic and well-planned business possibilities in the marketplace, even when the results of these chances are unknown, have also been defined as risk-taking (Lumpkin & Dess, 2001). The author further emphasized that entrepreneurs take measured risks by making sure the chances are in their favor by implementing tactics like forming partnerships with suppliers, investors, and business partners to share and absorb their inherent business and financial risk. Given its centrality in entrepreneurial activity, risk-taking's significance in EO may also be demonstrated (Akpabli et al., 2023).

Risk-taking has been shown to positively impact SMEs' long-term survival (Neneh, 2021). Similarly, Just et al. (2014) discovered a high positive correlation between taking risks and growth profitability and firm performance. On the other hand, risk-taking has been shown to have a strong negative correlation with sales growth (Gürbüz & Aykol, 2009). Furthermore, Zhou and de Wit (2009) found no evidence of a connection between employment growth and taking risks. Hughes and Morgan (2007) clarified, however, that businesses that exhibit risk aversion perform worse because they are unwilling to recognise and seize market possibilities.

The term "risk-taking propensity" describes a person's inclination to either accept or avoid taking risks in dangerous situations (Fatai et al., 2018). In the past, taking risks has been associated with entrepreneurship, and entrepreneurs are often depicted as having a greater propensity for taking risks than other people (Littunen, 2000). The definition of entrepreneurship, which emphasizes an entrepreneur's willingness to take calculated business risks, demonstrates the long-standing association between risk-taking and entrepreneurship (Leko et al., 2006). Risk-taking skills have been associated with entrepreneurs, and this is what sets them apart from other people. According to Kreiser (2011), a firm's risk-taking orientation reveals how much uncertainty it can tolerate. However, Naldi et al., (2007) noted that a company cannot advance if its risk tolerance is too low.

Entrepreneurial Innovation

Rauch et al., (2009) depict innovativeness as the organisation's capability to connect in new ideas or to initiate and generate processes that may result in new products. Covin and Miles (2009) opined that devoid of innovation, entrepreneurship cannot subsist and that innovativeness is a critical component of entrepreneurship continued existence strategies. In lieu of this, in his inquiry, Coulthard (2007) deduced that innovativeness is not the most important constituent for entrepreneurship survival. Landstrom et al., (2015) assert that creativity is the underpinning of innovativeness, which leads to development of products, services, processes, markets, and technology. Innovativeness tends to shore up novelty in the conception of new products and services. By mounting assurance to innovate products and processes, business can perk up their operations in the market and advance their profitability. Innovative firms by and large have a wider podium of skills and knowledge which gives them recompense over their rivals.

Covin and Miller (2014) conceptualised two models on innovation related to a firm's objective and the class of organization; the conventional and the entrepreneurial models. In the conservative or conventional model, a company uses its ground-breaking practice as a way of protection and reprisal against its rivals. This is designed in an endeavor to sustain or recover



market position. The entrepreneurial model depicts a company that constantly and forcefully promotes innovative practices internally which gives the organization an advantage over its rivals.

Innovation can also be achieved through administrative innovativeness as evidenced by Landstrom et al., (2015) which refers to a valuable and resourceful management backed up by contemporary information systems, control measures, and organizational arrangement. More so, it can also be resolved in the course of technological innovation which is connected with research and development ensuing in the development of new products and processes. Business with innovative thoughts would be able to perk up existing product and develop new products or processes ensuing in new market creation. Innovation is an important ingredient of entrepreneurship and any other apparatus of entrepreneurship characteristics are a corollary of innovation (Covin & Miller 2014).

The significance of innovation as a causal variable to the measurement of entrepreneurship characteristics and performance is irrefutable. Quiet number of scholars has empirically established the significance of innovation and the optimistic relationship between innovation and business performance (Rauch et al., 2009; Coulthard, 2007). The above assertion justify that a business involving entrepreneurship behaviour is likely to widen skills to handle uncertainty, innovate to convene opportunities and threats, foresee and envisage the path and character of market change, tolerate risk, and offer autonomy to its staff. All these figure the company's entrepreneurial competence to advance and perk up firm's performance (Adebayo et al., 2023).

Entrepreneurial Creativity

The ability to generate original and practical ideas in any field is known as creativity. The ability of employees to generate innovative and practical ideas is referred to as creativity. It is where creativity begins. According to Lackeus (2015), creativity is the ability to create something new, which is reflected in the process of launching and operating a business. As a result, creativity is essential to the entrepreneurial process. The capacity to start a new company, introduce novel items to the market, establish new branches and offices, experiment with cutting-edge technology, and explore untapped areas is what defines an entrepreneur. The development of novel, perhaps helpful, concepts or goods has been defined as creativity. These concepts may originate from within or outside, but the entrepreneur will typically look for and recognise viable answers that are influenced by internal capabilities to some extent (Fillis & Rentschler, 2020).

Creativity, according to Amabile et al., (1996), is the ability to generate original and practical ideas in any field. She continued by saying that anything must be different from previous work in order to be deemed creative; it also has to be valuable, relevant for the task at hand, accurate, and meaningfully expressive. According to Halim and Marzdi (2020), creativity is essentially the act of coming up with unique, relevant, and creative solutions to issues. When an organisation is creative, it can capitalize on possibilities that arise from shifting environmental conditions. The development of new products heavily relies on creativity, which may be cultivated through three methods: morphological procedures, visual confrontation, and brainstorming (Salavou & Lioukas, 2024). Edem and Umoh (1999) defined creativity as a process that modifies a cultural symbolic realm. For instance, innovation includes the creation of new machines, ideas, and melodies. He went on to say that the qualities of creativity include the capacity for creation and manifestation, investment in new ventures, and inventive skill production. To put it briefly, innovation is a subset of creativity.

Entrepreneurial Alertness

When describing the entrepreneurial process of opportunity detection, Kirzner was the first to adopt the term "alertness" (Lobo et al., 2023). According to Kirchner (1997), alertness is a process and viewpoint that enables certain people to be more conscious of alterations, shifts, opportunities, and missed opportunities. From an economics standpoint, Kirzner (1999) further defined attentiveness as the capacity to recognise possibilities that have been missed without having to look for them. A practicing posture based on a few cognitive processes and capacities, including past knowledge and experiences, pattern identification, information processing abilities, and social interactions, have been the basis for the development and advancement of our understanding of alertness by more recent academics (Cheng et al., 2022).

The condition of active attention characterised by high sensory awareness, such as being vigilant, fast to respond to emergencies or threats, or having quick perception and action, is called alertness. According to Kirzner (1979), attentiveness is the capacity to recognise chances that others may miss. In the world of business, attentiveness is the capacity to spot possibilities that others might miss. It is made up of a judgment component that concentrates on assessing recent facts, shifts, and changes to determine whether or not they would indicate a business opportunity with potential for profit. It entails observing the surroundings, looking for information, and making connections between disparate pieces of data after determining whether or not new information offers an opportunity (Kirzner, 1979).

Small and Medium-Sized Businesses

Small and medium businesses (SMEs) play a major role in every nation's economic development. Small and medium-sized business owners are the engines of the economy and play a significant role in social and economic growth. The SME sector is widely acknowledged as a significant contributor to rising economies on a worldwide scale. Small and medium-sized businesses, or SMEs, are the foundation of any country, developed or developing. This is especially crucial for emerging nations whose economies continue to struggle with unemployment and poverty. Nair (2022) asserts that small enterprises are a productive means of reducing poverty. In the majority of emerging economies, it improves job chances. Numerous studies have discovered that the majority of small-scale enterprises are responsible for creating both job and self-employment options.

Small businesses have a critical role in promoting social justice, rural economic activity, economic growth, and poverty reduction. Modest and medium-sized businesses are ones that operate on a modest scale and employ a minimum number of people. Numerous studies have discovered that small businesses contribute significantly to the nation's GDP (gross domestic product) and that small and medium-sized businesses have raised the GDP rate. The contribution of small enterprises to the nation's growth is significant. In an expanding economy, it also offers job chances for the jobless (Islam et al., 2021).

Review of Theory

Schumpeterian Innovation Theory

According to Professor Joseph Schumpeter's thesis, innovation is a distinct role of the entrepreneur. According to the Schumpeterian idea (Hisrich et al., 2013), the entrepreneur is the main force behind economic progress and is responsible for introducing new technologies. Some have referred to Joseph Schumpeter as the founder of both (irregular) growth theories and entrepreneurship. Entrepreneurs are strong participants in today's international

marketplaces. Businesses may collectively set the rules of the game in the main market sectors since they control the majority of the world's commodity marketplaces (Rauch et al., 2009).

Schumpeter's entrepreneurial endeavors seem to mark a watershed in the history of entrepreneurship (Schumpeter, 1950). Schumpeter's theory of entrepreneurship goes beyond just starting and operating enterprises profitably, which is essentially a static or stagnant definition of entrepreneurship. Schumpeter's seminal work, *The Theory of Economic Development*, which predicted a new age of economic growth via entrepreneurship, serves as the foundation for his theory. This suggests that the free enterprise system is very dynamic and adventurous, always reaching new commercial heights with innovative goods and services (Ghannajeh et al., 2015; Afzali& Ahmed, 2016). The source of innovation and the growth engine is entrepreneurship.

The role of the innovator-be, innovator, developer, promoter, initiator, and recognizer of technological advancements, as well as the person who successfully introduces them, was highlighted by Schumpeter (Samuelson, 1980). According to Samuelson (1980), the inventor in the context of business is an entrepreneur whose role it is to engage in entrepreneurship, which is the source of all company innovations and advancements as well as the primary driver of economic progress. Entrepreneurship, invention, business, and economic development are therefore the steps in the process of economic development. "Innovate or perish" is the motto of Schumpeter as profit is the incentive for entrepreneurship.

Materials and Methods

In order to evaluate the relationship between entrepreneurial behaviour and the survival of small and medium-sized businesses in Kwara State, this study uses a quantitative methodology. A self-administered questionnaire was used as part of the survey approach to find out what the target beneficiaries thought about the relationship between entrepreneurial behaviour and small- and medium-sized business survival in Kwara State. The survey included 650 licensed small and medium-sized enterprises in the city of Ilorin. Using the Taro Yamane sample size determination formula, 250 SMEs made up the study's sample. Additionally, a stratified random sample approach was utilized, and SPSS was the analysis tool of choice.

Results and Discussion

Table 1: Correlation Statistics for Linear Relationship between Variables

Variable	SMEs Performance	Innovativeness	Creativity	Business Alertness	Risk Taking
SMEs Performance	1				
Innovativeness	.487**	1			
Creativity	.383**	.463**	1		
Business Alertness	.426**	.359**	.345**	1	
Risk Taking	.428**	.274**	.451**	.413**	1

**Correlation is significant at the 0.01 level (2-tailed).

Table 2: Multicollinearity Analysis Test for Independent Variables

Variables	Tolerance	VIF
Innovativeness	0.708	1.413
Creativity	0.941	1.062
Business Alertness	0.640	1.562
Risk Taking	0.623	1.605

Table 3: Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin Watson
1	.870 ^a	.721	.688	.879	1.612

a. Predictors: (Constant), Risk Taking, creativity, business alertness, innovativeness
b. Dependent Variable: SMEs Performance

Sources: Researcher's Survey, 2024

Table 4: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.186	1	25.073	1279.091	.000 ^b
	Residual	9.714	99	.051		
	Total	69.652	101			

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Risk Taking; creativity, business alertness, innovativeness

Sources: Researcher's Survey, 2024

The impact of the independent factors on the dependent variable was evaluated in the study. The study's results are shown in Table 5, where the multiple regression models' coefficient of determination (R²) is around 0.721. This indicates that innovativeness, originality, business alertness, and risk-taking together account for 72.1% of the variation in the performance of SMEs. The model was fit or none of the parameters were equal to zero, as shown by the ANOVA (F test) results, which corroborate the findings and yield a significance-adjusted R square (F = 32.186, $p < 0.05$). Furthermore, the Durbin Watson test resulted in a value of 1.612, which is less than two, suggesting low autocorrelation and no impact on the study's outcome. The variance inflation factor was interpreted using the rule of thumb, which is a general guideline that isn't meant to be perfectly precise or dependable in all circumstance.

Test of Hypotheses

Table 5: Multiple Regression Model

Variable	Coefficient	Std. Error	Beta	t-Statistics	Sig.	Tolerance	VIF
(Constant)	2.196	.578		3.797**	.215		
Innovativeness	.346	.099	.330	3.500**	.001	0.708	1.413
Creativity	.265	.091	.282	2.913**	.004	0.941	1.062
Alertness	.204	.020.297	2.031**	.045	0.640	1.562	1.562
Risk Taking	.293	.083.208	2.888**	.038	0.623	1.605	1.605

a. Dependent Variable: Performance of SMEs

According to the first hypothesis (H01), innovativeness has no discernible impact on the performance of SMEs. Nonetheless, the results of the study indicated that innovativeness had

significant coefficients of estimation based on $\beta_1 = 0.330$ (p-value = 0.001, which is less than $\alpha 0.05$) suggesting that the null hypothesis, according to which innovativeness has no appreciable impact on the performance of SMEs in Kwara State, is rejected. This suggests that the performance of SMEs increases by 0.330 units for every unit rise in the positive impact of innovativeness. Additionally, the t-test result of 3.500 indicated the impact of innovativeness, indicating that the parameter's standard error is less than the parameter's effect.

The second hypothesis (H02) claimed that the performance of SMEs is not much impacted by innovation. We reject the null hypothesis and find that creativity has a substantial impact on the performance of SMEs in Kwara State, as shown by the significant coefficients of estimation for creativity ($\beta_2 = 0.282$, p-value = 0.004, smaller than $\alpha 0.05$). This shows that the performance of SMEs increases by 0.282 units for every unit rise in the beneficial influence of creativity. Additionally, the t-test result of 2.913 indicated the impact of creativity, indicating that the parameter's standard error is less than the parameter's effect.

The third hypothesis (H03) claimed that the performance of SMEs is not much impacted by business awareness. Based on the research results, we can infer that creativity has a substantial impact on the performance of SMEs in Kwara State. Specifically, $\beta_2 = 0.297$ (p-value = 0.045) indicates that business alertness had coefficients of estimate that were significant. Therefore, we reject the null hypothesis. This suggests that there is a 0.203 unit rise in SMEs' performance for every unit increase in the beneficial influence of creativity. Additionally, the t-test result of 2.031 indicated the impact of business alertness, indicating that the parameter's standard error is less than the parameter's effect.

The fourth hypothesis (H04) claimed that taking risks had no appreciable impact on the performance of SMEs. But according to the study's results, risk-taking had significant coefficients of estimate ($\beta_2 = 0.208$; p-value = 0.038, less than $\alpha 0.05$), so we may reject the null hypothesis and come to the conclusion that risk-taking affects SMEs' performance in Kwara State. This suggests that there is a 0.208 unit rise in SMEs' performance for every unit increase in the positive impact of taking risks. Additionally, the t-test result of 2.888 indicated the impact of taking risks, indicating that the parameter's standard error is less than the parameter's effect.

Conclusion and Recommendations

The research concludes that understanding elements that are directly linked to entrepreneurial mentality, such as growth mindset, creativity, motivation, and risk-taking propensity, is crucial in order to develop ways to boost the entrepreneurial mindset of entrepreneurs. Therefore, the research recommended that in order to foster innovation among current and future entrepreneurs, policy makers and other stakeholders should build on their entrepreneurial behaviour and approaches to boost the performance of SMEs towards the achievement of sustainable growth.

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