

Corporate Entrepreneurship and Performance of Small and Medium Scale Enterprises in Selected States of South-West Nigeria

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Abstract

The study looked at how corporate entrepreneurship (CE) factors affected the performance of small and medium-sized businesses (SMEs) in a selected Southwest Nigerian states. In particular, the study assessed how each of the following factors affected the performance of SMEs in the chosen states: creativity, risk-taking, proactivity, autonomy, and human capital. For the study, 268 SMEs from the food and beverage, water packaging, and lodging and food services sectors were sampled. A systematic questionnaire was used to gather primary data. Data on the individual and combined effects of CE characteristics (innovativeness, proactiveness, risk-taking, autonomy, and human capital) on the performance of SMEs in the research area were analysed using multiple regression analysis. The results demonstrated a robust and statistically significant correlation between organizations' performance and innovativeness. All of the corporate entrepreneurship dimensions innovativeness, risk-taking, proactivity, autonomy, and human capital were found to be statistically significant and positively correlated with SMEs' success. In order to improve their performance, sustainability, and competitiveness, small and medium-sized business owners were advised to pay sufficient attention to corporate entrepreneurship activities. To guarantee large market shares, entrepreneurs need also develop novel goods and services.

Keywords: Corporate Entrepreneurship, Innovativeness, Proactiveness, Risk Taking, Performance, SMEs

Introduction

Small and medium-sized businesses (SMEs) play a significant role in both industrialized and developing nations' economy. They are acknowledged as a foundation for industrial development, economic expansion, job creation, and poverty alleviation (Masso and Vahter 2018; Ogechukwu, 2018; Okpara, 2019; Terungwa 2020). Due to their "capacity to respond to the systemic shock rapidly and their potentials to generate jobs and income at the time when the large firm sector was undergoing a rapid decline," SMEs are crucial to the growth plan (Kumarpeli & Semasinghe, 2018). Like many developing nations, Nigeria has acknowledged the role that SMEs play in promoting economic growth and reducing poverty. SMEs are thought to make up 97% of all enterprises in Nigeria, despite the fact that it is challenging to quantify their economic impact due to a lack of records. They contribute over 46% of the GDP and employ more than half of the country's workers (National MSME collaborative study, 2017; Taiwo, Ayodeji, and Yusuf, 2020).

In terms of quantity, SMEs rule the global business scene. Estimates indicate that over 95% of businesses worldwide are SMEs, accounting for over 60% of private sector employment, notwithstanding the difficulty of obtaining accurate, current data (Ayub, 2020). With over 99% of all businesses being SMEs, Japan has the largest percentage of SMEs among industrialized nations (Economist Intelligence Unit, 2018). In 2008, there were 13 million SMEs in India, or 80% of all enterprises in the nation, according to the Ministry of Micro, Small, and Medium Enterprises (Goedhuysa and Veugelers, 2018). SMEs are thought to make up 91% of all formal business entities in South Africa (Akande and Oladejo 2020). The significance of SMEs is further demonstrated by estimated figures for the 27 EU-27 member states. They make up 99.8% of all businesses, employ 67% of all people, and produce 58% of gross value added (GVA), an important component of GDP that is calculated by subtracting the value of intermediary consumption from the value of their outputs. In Nigeria, the importance of small and medium-sized businesses cannot be overstated. This is because SMEs handle a big portion of the production needs that are driven by the consumption needs of emerging countries (Kenney and Mujtaba, 2017). Full employment, income distribution, the advancement of local technology, improved use of indigenous resources, economic growth, industrialization, and rural development are all ways that SMEs have an impact on the GDP. Nigerian SMEs are in a vulnerable situation despite their contribution to the country's economy due to the rapidly evolving and fiercely competitive global market. According to earlier study, corporate entrepreneurship (CE) is a crucial

component of organizational success and has been shown to improve performance in order to address these issues (Wiklund and Shepherd, 2020).

Additionally, it is asserted that companies with greater corporate entrepreneurship will outperform those with less entrepreneurial orientation (Davis, 2017; Wiklund, 2019). A higher degree of corporate entrepreneurship enables businesses to recognize and take advantage of possibilities in a way that sets them apart from non-entrepreneurial organizations (Covin, Green, and Slevin, 2018). According to Rauch et al. (2019), corporate entrepreneurship is a strategy-making process that gives organizations a foundation for entrepreneurial choices and actions. It includes some organizational-level behaviors to take risks, engage in self-directed activities (autonomy), innovate, and respond aggressively and proactively to surpass competitors in the marketplace, all of which improve business performance. The performance of small and medium-sized businesses has been greatly enhanced by corporate entrepreneurs. Corporate entrepreneurs are still unable to fully contribute to the performance of small and medium-sized businesses due to a number of pressing issues. distinct entrepreneurs typically have distinct orientations, which have an impact on how they run their companies and, eventually, how well they function. In order to understand their contributions to business performance, it is also necessary to ascertain the degree to which corporate entrepreneur variables like proactiveness, innovativeness, risk-taking, autonomy, and human capital determine the performance or non-performance of small businesses (Kamau and Kagiri, 2019). According to Guth and Ginsberg (2019), corporate entrepreneurship (CE) is the creation of new ventures within already-existing companies as well as the transformation of businesses through the application of novel concepts. Numerous research have indicated that CE improves financial performance, fosters organizational learning, and develops new competencies (Zahra and Covin, 2019; Lumpkin and Dess, 2018). As a result, CE is seen as a crucial component of a company's competitiveness (Carrier, 2017). Establishing a corporate entrepreneurial culture to promote growth and competitive effectiveness inside firms is a key component of CE (Salama, 2019). As a result, businesses are searching for methods to improve their employees' entrepreneurial activity (Kuratko *et al.*, 2021).

Statement of the problem

Entrepreneurial endeavors in Nigeria have a poor survival rate because entrepreneurs launch companies but fail to make them profitable. Furthermore, according to Fatoki (2018), the majority of newly established SMEs in Nigeria do not progress from their initial stages of

existence to subsequent stages like resource maturity, take off, and survival success. Despite insufficient empirical data, a number of traits and variables have been found to be important drivers of SMEs' performance both globally and in Nigeria. Understanding important corporate entrepreneurial business strategies that might support SMEs' sustained performance is essential because SME performance rates are often low worldwide.

Nigeria requires constant expansion, as well as a harmonious and balanced combination of resources with other growth engines. Only when the effectiveness of corporate entrepreneurship is recognized and put into practice can each of these growth engines—people, market, capital, technology, and organization—flourish and blossom fully. The market segment of the external environment, individuals within the internal environment, misapplied capital, and the simple desire for technological advancement are currently the focus in Nigeria, with complete disregard for the successive and simultaneous delicate blend that is the clear indication of corporate entrepreneurship.

According to Autio et al. (2018), transportation bottlenecks that prevent SMEs from accessing markets and infrastructure shortcomings like power outages that damage machines and equipment are the main factors limiting their performance in Nigeria. As a result, the majority of businesses use generators to self-supply electricity, which raises their manufacturing costs. Additionally, the inability to engage in new ideas and creative processes, the lack of access to financing for expansion and new product development, and the failure to adopt new technologies have resulted in small and medium-sized businesses providing their clients with the same sets of out-dated, unreliable products.

Firm growth has been found to be supported by entrepreneurial pro-activeness; however, a number of studies on the relationship between entrepreneurial pro-activeness and growth (Anderson and Eshima, 2018; Ayub et al., 2020) have yielded conflicting findings based on the aggregated dimensional measure of entrepreneurial orientation. Despite the significance of SMEs, entrepreneurs have not been very proactive, as seen by their inability to detect change, find future prospects, stay vigilant, or anticipate the needs of competitors. The performance of SMEs in Nigeria has been negatively impacted by all of these, which makes more research necessary.

Taking risks is also crucial to a company's success and expansion, and how business owners view and handle hazards in their surroundings is crucial (Delmar, 2018). Initiatives to take risks have also been extensively researched in the past (Bluman, 2019). A review of these

earlier studies showed that more research is necessary to determine how corporate entrepreneurial risk-taking initiative affects the performance of SMEs. According to Ayub et al. (2018), innovation is another essential component of every company's expansion. The literature currently in publication has described innovativeness in a variety of ways. While some studies have identified a positive correlation between innovativeness and business performance, others have found a weak negative correlation, which necessitates more investigation. Because innovation is expensive, SME operators in Nigeria struggle to capitalize on its apparent advantages. Lack of capital investment, infrastructure, education and training systems, burdensome laws, and general shortcomings in knowledge and skill acquisition are further obstacles to innovation in SMEs. Additionally, according to data from SMEDAN (2017), over 90% of Nigeria's micro, small, and medium-sized firms are informal, struggle with autonomy, and lack strategic direction, all of which have an impact on their performance. Nowadays, a lot of people argue that entrepreneurship is essential to the process of economic development and growth (Carter et al., 2021). Although autonomy is thought to be a component of corporate entrepreneurship (CE), the literature has not given this aspect adequate attention. In this sense, it is essential that this study look into these claims and hypotheses and come to logical conclusions.

Lastly, there is a dearth of research on the relationship between corporate entrepreneurship and SMEs' business performance in Nigeria in general and the Southwest geographical region in particular. According to records, the Southwest geopolitical area is home to the majority of Nigeria's registered SMEs (SMEDAN, 2017). Therefore, by investigating the influence of corporate entrepreneurship aspects (risk-taking, pro-activeness, innovativeness, human capital, and autonomy) on SMEs' performance in certain states of Southwest Nigeria, this work aims to close the discovered gap.

Significance of the study

It is anticipated that this study will add to the body of information already available in the field of management sciences in theoretical, methodological, and practical ways. The results of this study will be helpful to academics and researchers studying small business management since they offer empirical data on the impact of corporate entrepreneurship, limitations, and how these factors affect SMEs' performance.

Business stakeholders and organizations, especially investors in the domain of variable combinations, will find the study's findings useful in aligning with the organizations' goals

and objectives. The findings of this study will also serve as a platform for educating people about the various environmental trends that have been impacting businesses in recent years and provide a possible remedy for such problems as they emerge.

Additionally, this research would provide managers and owners of small and medium-sized enterprises in the South West States of Nigeria, as well as those in other parts of Nigeria and some developing African nations, with a better understanding of the advantages of utilizing the various corporate entrepreneurship dimensions examined in this study to forecast the variables that impact SMEs' performance. Lastly, the government will greatly benefit from this study since it will help policymakers develop policies that will promote the creation and growth of more small and medium-sized businesses, giving young people access to modern infrastructure and jobs.

Research Objectives

The specific objectives are:

1. To evaluate how innovation affects SMEs' performance in the chosen southwest Nigerian states.
2. To assess how risk-taking affects SMEs' performance in the research region
3. To investigate how proactiveness affects SMEs' success in the research region.

Research Questions

The following research questions were generated for the study:

1. How does innovation affect the success of Southwest Nigerian small and medium-sized businesses?
2. How much does taking risks impact Southwest Nigerian small and medium-sized businesses' performance?
3. How does proactiveness affect Southwest Nigerian small and medium-sized businesses' performance?

Methodology

The study employed descriptive survey design to obtain information from respondents. The population for the study consisted of all registered Small and Medium Scale Enterprises (SMEs) operating in Lagos, Oyo and Ogun states in Southwest Nigeria. Stratified simple random sample was used in the investigation. The subsectors of lodging and food services, food and beverages, and water packaging were used to divide SMEs into three strata. These

three subsectors were selected because they are now the most successful subsectors. The statistical function utilized in data analysis can be used to determine the instrument's reliability. In order to accomplish the goals and objectives of the study questions and hypothesis, which are also tested, the researcher employed questionnaires. The researchers employed interviews, questionnaires, and first-hand observations. To help the respondents and allow them to voice their opinions, pertinent questions were created and printed with instructions. The researcher made the personal observation while listening to the respondents and making inferences.

Descriptive and inferential analyses were the two phases of the study's data analysis. Frequencies and percentage denotations, along with other descriptive elements like means and standard deviations, will be used in the descriptive analysis to describe the characteristics of the data and illustrate the differences in replies and opinions. Multiple regression analysis using SPSS was used for the inferential analysis.

Model Summary

Table 1: Regression Result of Innovativeness on performance of Small and Medium Enterprises in the selected States of Southwest Nigeria

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.392 ^a	.154	.450	2.313	1.810

(Field Survey: 2024)

Predictors: (Constant), HF, AU, PR, RT, IN
 Dependent Variable

Model Summary

Table 2: Regression Result of Risk-taking on performance of Small and Medium Enterprises in the selected States of Southwest Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.594 ^a	.353	.270	2.259	2.303

(Field Survey: 2024)

Predictors: (Constant), HF, AU, PR, RT, IN
 Dependent Variable

Model Summary

Table 3: Regression Result of Proactiveness on Performance of Small and Medium Enterprises in the Selected States of Southwest Nigeria

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	.548	.498	.195	.2547

(Field Survey: 2024)

Dependent Variable: PERFORMANCE b INNOVATIVENESS

Predictors: (Constant), HF, AU, PR, RT, IN

Discussion

With adjusted $R^2 = 0.450$, $\beta = 0.321$, and $p < 0.05$, the results demonstrated a strong and statistically significant relationship between innovativeness and firms' performance. This means that a one-unit or percentage change in innovativeness activity will result in a 17% increase or decrease in the firm's performance. Likewise, taking risks and being proactive have statistically meaningful outcomes.

Recommendations

From the findings and conclusion of the study, the following recommendations were made:

1. To integrate the idea of corporate entrepreneurship into their organizational culture, Southwest Nigerian small and medium-sized business owners and managers must foster an atmosphere that is favourable for important stakeholders in their companies, especially their workers.
2. Entrepreneurs must create unique and appealing features and components for their products in order to gain significant market shares.
3. Owners of small and medium-sized businesses should foresee potential problems for their organizations and devise pre-emptive measures to avoid failure.

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