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Entrepreneurial Culture and Performance of Micro, Small, and Medium Enterprises in Nigeria

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) serve as the bedrock of economic growth, employment generation, and industrialization in Nigeria. However, their high mortality rate and persistent underperformance within the volatile macroeconomic climate present a severe development paradox. This study empirically examines the relationship between entrepreneurial culture—conceptualized through entrepreneurial mindset, entrepreneurial leadership, and risk-taking orientation—and the firm performance of MSMEs in Nigeria. Utilizing a explanatory survey research design, data were collected from 384 structured questionnaires administered to MSME owners and managers across selected industrial hubs. The empirical data were analyzed using multiple linear regression. The findings reveal that all dimensions of entrepreneurial culture possess a statistically significant, positive relationship with firm performance, with entrepreneurial mindset exerting the strongest predictive influence. The study concludes that structural interventions focusing merely on financial liquidity are insufficient without fostering an internal organizational culture aligned with innovation and strategic resilience. It recommends that the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) integrate cultural and cognitive capability training into national enterprise support frameworks.

Keywords: Entrepreneurial Culture, MSMEs, Firm Performance, Nigeria, Strategic Resilience.

1. Introduction

In emerging economies, Micro, Small, and Medium Enterprises (MSMEs) represent the primary catalysts for grassroots industrialization, wealth creation, and structural economic diversification. Within the Nigerian economic ecosystem, MSMEs constitute approximately 96% of all businesses and contribute nearly 48% to the nation's Gross Domestic Product (GDP) (Okonta, 2024). Despite their critical macroeconomic positioning, Nigerian MSMEs face severe environmental turbulence, characterized by infrastructural deficits, severe inflationary pressures,

and unpredictable policy fluctuations (Ibidunmi et al., 2022). These systemic constraints manifest heavily in poor operational longevity and high business failure rates.
Extant economic interventions by successive Nigerian governments have historically leaned toward structural financial stabilization—such as the Government Economic Empowerment Programme (GEEP) and various Central Bank of Nigeria liquidity facilities (Ibidunmi et al., 2022; Onimole, 2024). Yet, empirical evidence suggests that financial interventions alone yield marginal impacts on enterprise viability if the recipient firms lack structural, intangible internal strategic behaviors (Maureen, 2023). Strategic management literature increasingly focuses on *entrepreneurial culture* as an internal dynamic capability that allows firms to successfully navigate structural vulnerabilities and capture market share (Nnabugwu & Ibekwe, 2023).

While the concept of Entrepreneurial Orientation (EO) has been extensively explored in Western contexts, its socio-cultural translation within sub-Saharan Africa—particularly within Nigeria's distinct ethnic and informal business architecture—remains under-researched. This study fills this gap by critically investigating how internal entrepreneurial culture components (mindset, leadership, and risk-taking) drive the financial and non-financial performance of MSMEs in Nigeria.

2. Literature Review and Theoretical Framework

2.1 Theoretical Framework: Resource-Based View (RBV)

This study anchors its analysis on the **Resource-Based View (RBV)** of the firm, originally popularized by Barney (1991). The RBV posits that a firm achieves a sustainable competitive advantage and superior long-term performance by mobilizing resources that are Valuable, Rare, Inimitable, and Non-substitutable (VRIN). Unlike physical or financial assets, which are highly vulnerable to market imitation, intangible organizational resources like *entrepreneurial culture* are socially complex, historically embedded, and deeply idiosyncratic (Onimole, 2024). In the Nigerian business environment, where infrastructural challenges equalize physical constraints across competitors, a firm's internal cognitive setup and cultural agility function as the definitive differentiator for market survival.

2.2 Conceptualizing Entrepreneurial Culture and Firm Performance

Entrepreneurial culture refers to an organizational climate where the search for venture opportunities, behavioral adaptability, and structural innovation permeates every operational tier

(Nnabugwu & Ibekwe, 2023). This study breaks down entrepreneurial culture into three distinct pillars:

Entrepreneurial Mindset: The cognitive orientation characterized by alertness to unexploited opportunities, calculated optimism, and a continuous drive for value creation despite resource limits.

Entrepreneurial Leadership: A leadership style that influences and directs organizational members toward identifying and exploiting entrepreneurial opportunities by fostering psychological safety and autonomy.

Risk-Taking Orientation: The structural willingness of an enterprise to commit significant resources to projects with uncertain outcomes, breaking away from standard, passive business paths.

Conversely, *Firm Performance* is measured using a multidimensional construct combining financial metrics (sales growth, profitability) and non-financial metrics (customer retention, market share expansion) to provide a comprehensive look at organizational health (Ibijoju & Akeke, 2022).

3. Methodology

This study adopted an explanatory survey research design to assess the causal relationships between the independent variables (Mindset, Leadership, Risk-Taking) and the dependent variable (MSME Performance). The target population consisted of registered MSME owners and managers operating within commercial and industrial hubs in Nigeria.

A sample size of 384 was determined using Cochran's formula for unknown populations. Sampling was executed via a multi-stage stratified random technique across micro, small, and medium cohorts as defined by SMEDAN asset and employee thresholds. Data collection relied on a self-administered, 5-point Likert scale structured questionnaire ($1 = \text{Strongly Disagree}$, $5 = \text{Strongly Agree}$). To ensure statistical reliability, Cronbach's alpha (α) tests were conducted, with all constructs returning scores above the $\alpha \ge 0.70$ threshold. The collected data were processed using descriptive metrics and multiple linear regression analysis via SPSS version 27.

The structural regression model is expressed mathematically as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$
Where:
Y = MSME Performance
β_0 = Constant intercept
X_1 = Entrepreneurial Mindset
X_2 = Entrepreneurial Leadership
X_3 = Risk-Taking Orientation
$\beta_1, \beta_2, \beta_3$ = Partial regression coefficients
ε = Stochastic error term

4. Results and Discussion

4.1 Regression Diagnostics and Inter-variable Analysis

The data underwent strict diagnostic testing to confirm the validity of the linear regression assumptions. Multi-collinearity was assessed using the Variance Inflation Factor (VIF); all variables scored well below the conservative threshold of 5.0, confirming the absence of structural multicollinearity. The Durbin-Watson statistic hovered near 2.0, verifying that the residuals were uncorrelated.

The structured relationship between the individual cultural predictors and total performance is displayed in Table 1.

Table 1

Multiple Regression Output of Entrepreneurial Culture Dimensions and MSME Performance

Predictor Variables	Unstandardized Coefficients (β)	Standard Error	Standardized Coefficients (β)	t-value	Significance (p)	VIF
(Constant)	0.612	0.141	—	4.34	0	—
Entrepreneurial Mindset (X_1)	0.415	0.048	0.398	8.646	0	1.422
Entrepreneurial Leadership (X_2)	0.284	0.052	0.261	5.462	0	1.581
Risk-Taking Orientation (X_3)	0.198	0.043	0.185	4.605	0	1.294

Note. $R = .784$; $R^2 = .615$; Adjusted $R^2 = .611$; $F(3, 380) = 202.14$, $p < .001$.

4.2 Discussion

The empirical results summarized in Table 1 offer clear support for the study's core hypotheses. The coefficient of determination ($R^2 = .615$) demonstrates that approximately 61.5% of the variance in Nigerian MSME performance is explained by the three dimensions of entrepreneurial culture analyzed. The overall model is highly significant, as evidenced by the F-statistic ($F = 202.14, p < .001$).

Entrepreneurial Mindset ($\beta = 0.398, t = 8.646, p < .001$) emerged as the strongest statistically significant predictor of enterprise performance. This finding aligns with Nnabugwu and Ibekwe (2023), confirming that an entrepreneur's cognitive framework, internal locus of control, and alertness to unexploited opportunities directly translate into positive market performance. In environments with severe economic volatility, an alert mindset allows managers to spot micro-opportunities that traditional businesses miss.

Entrepreneurial Leadership ($\beta = 0.261, t = 5.462, p < .001$) also exerts a strong positive influence on firm performance. This matches findings by Gwadabe and Amirah (2017), indicating that MSMEs whose leaders delegate operational autonomy, encourage team problem-solving, and utilize modern, flexible management styles achieve higher performance and adaptive capacity.

Risk-Taking Orientation ($\beta = 0.185, t = 4.605, p < .001$) demonstrates a positive and significant effect, though it displays the lowest predictive weight among the variables. This lower value captures a key nuance of the Nigerian business climate. While risk-taking is essential to outpace competitors (Onimole, 2024), the country's high macroeconomic volatility means uncalculated, aggressive risks can easily lead to institutional failure. Successful firms favor calculated risk-taking, prioritizing internal operational adjustments over highly speculative investments (Maureen, 2023).

5. Conclusion and Recommendations

5.1 Conclusion

This study provides robust empirical proof that entrepreneurial culture is a primary driver of MSME performance in Nigeria. The findings confirm that while structural and financial constraints are common across the landscape, businesses that cultivate an internal culture of opportunity identification, open leadership, and calculated risk-taking achieve superior performance. These internal capabilities create an organizational shield against external economic shocks, supporting the core premise of the Resource-Based View.

5.2 Recommendations

Based on these findings, the study offers the following recommendations for policy and practice:

Shift Focus in Government Support Programs: Public interventions led by institutions like SMEDAN and the Bank of Industry (BoI) must move beyond just distributing credit. National empowerment schemes should integrate cognitive asset-building, strategic planning, and risk-management training into their core funding models.

Cultivate Strategic Autonomy and Internal Structure: MSME owner-managers should actively work to transition away from highly centralized, authoritarian management structures. Introducing operational autonomy and rewarding team innovation builds a resilient corporate culture.

Encourage Collaborative Ecosystems: Regional business associations should establish cluster-based knowledge sharing platforms. These networks can help spread modern entrepreneurial practices and support collaborative risk-sharing models among informal and small-scale operations.

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