

Entrepreneurial Culture and Performance of Small and Medium Enterprises (SMEs) in Nigeria

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Abstract

Organizational culture represents her core values which act as guiding principles towards achieving set goals. However, some SMEs in Nigeria attach little or no importance towards Entrepreneurial culture leading to below expectation performance in spite of government effort through various programs to encourage their activities. This study examined the effect of entrepreneurial culture on the performance of SMEs in Lagos State. The study took a theoretical approach as information was generated through text books, journals, magazines and some informed opinions. The study variables were reviewed conceptually, theoretically and empirically and some observed gaps were filled. The result indicated great effect between entrepreneurial culture and performance of SMEs in Lagos State. Better options were made in form of recommendations: SMEs to imbibe entrepreneurial culture and creative innovations that will yield enhanced performance and sustained economic development of the Nation thus ending African dependency.

Keywords: *Entrepreneurial culture, Performance, SMEs, Creative innovations and Economic development*

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Background the Study

Entrepreneurship plays a vital role in the development of a country's economy as this is the key contributor to innovativeness, product improvement and reduction of unemployment. It is the practice of starting a business in order to earn profit on new found opportunities of which its dynamism goes a long way to stabilize the economy of a nation as well as generate returns to the government (Redford, 2016). The veritable backbones on which the world and modern ideas continue to develop are the entrepreneurs. Developed nations across the world owe their current prosperity to the collective effort of intrepid entrepreneurs on whose innovation also rests the future prosperity of the developing world (Anam & Antai, 2016).

Economic development and growth all over the world rest upon SME contribution especially in developing economy as Nigeria where this sector is seen as the 'engine for economic development (Ale, Ahmed & Taha, 2010). Safiriyu and Njoko (2012) are of the opinion that small and medium enterprise is very key and critical factor when it comes to achieving economic development. The achievement of economic development is made possible and successful if entrepreneurial culture is incorporated by SMEs in Nigeria where competition is high.

According to Nhuta and Kapofu (2015), a culture of entrepreneurship is in which the search for venture opportunities permeates every part of the organization. Entrepreneurship is the process by which individuals pursue opportunities without regard to the resources they currently control. The essence of entrepreneurial behavior is identifying opportunities and putting useful ideas and behavior into practice. The set of tasks called for by this can be accomplished by either an individual or a group that typically requires creativity, drive, and a willingness to take risks. The SMEs have contributed to the growth and development of many countries by reducing poverty, increase employment leading to enhanced Gross Domestic Product (GDP) and favorable balance of trade through export promotion (Onugu, 2005).

The performance of small and medium scale enterprises in Nigeria could be better with the incorporation of entrepreneurial culture and orientation. The internal factors have not really been taken with the seriousness it deserves. The emphasis by previous authors on SME has been on external factors (Makinde, 2015). These authors focused on issues boarding finance and Insurance (Akingunola, 2011; Gbandi & Amissah, 2014; Kabuoh, 2013; Luper, 2012; Osamwonyi and Tafamel, 2010). Other factors affecting SMEs as reviewed by Aigbodua and Oisamoje (2013), Obiwuru, Oluwalaiye and Okwu (2011) and Ogundele, Akingbade, Saka, Elegunde and Azzez (2013) include: competition, infrastructure, taxes, marketing, economic and management while Aberijo and Fayomi, (2005); Ihua, (2009); and Okpara and Wynn (2007) supported the findings that poor financing and inadequate infrastructure are the most critical challenge facing the SME sector.

Statement of the Problem

The guiding principles of any organisation are the driving force to achieve a set goal. Entrepreneurial culture is expected to be the guiding policy directing the management of SMEs but despite the importance of entrepreneurial culture and government various programmes to support them, most small and medium scale enterprises perform below expectation.

The expectation of SMEs in Nigeria in the development of the economy, eradication of poverty and employment generation are still far from achieving (Ihua & Siyanbola, 2012; Odunayo, 2014). Literature has indicated that SMEs have performed below expectation for a number of factors both internal and external. Some of the internal factors range from attitude and habits of SMEs to environmental related factors (Makinde, 2015). Some of the major factors affecting poor performance of the small and medium scale enterprises include lack of succession plan, lack of proper records or no records at all, wrong employment selection over dependent and concentration of decision making on one staff (Onugu, 2005).

Organisational structure is another challenge that hinders the performance of SMEs in Nigeria. Organisational structure is generally designed to facilitate tasks performance, but without a periodic review and redesign of organisational structure according to dictates of business and environment (Erigbe, Sanda & Kabuoh, 2016). Corporate restructuring is inevitable where an organisation operates below industry level as in the case of SMEs in Nigeria. The report of vision 2020:20 National Technical Working Group on SMEs (2009) indicated that entrepreneurial culture displayed has negatively affected the sector in terms of growth impacting negatively on economic development of the country. Studies have shown that business entrepreneurial culture significantly affects other variables and business performance; hence, it is necessary to address this issue and take appropriate measures to promote business entrepreneurial culture (Karimi, & Abedini, 2015). This study therefore examines the effect of entrepreneurial culture on performance of SMEs in Nigeria.

Conceptual Review

Entrepreneurial Culture

Entrepreneurial culture is a condition in which new ideas and creativity are expected, taking risks is encouraged, failure is tolerated, learning is encouraged, innovations about product, process and management are defended and a continuous change is accepted as the carrier of opportunities (Foss and Lyngsie, 2011, cited in Dogan, 2015:1292). Entrepreneurial culture as opined by Foss and Lyngsie (2011) is related to entrepreneurial orientation and other firm-level variables which captures the firm's motivation and ability to engage in the discovery of opportunities and the exploitation of those opportunities that are highest in wealth creation. Entrepreneurial orientation refers to the “strategy making practices that businesses use to identify and launch corporate ventures”(Nhuta & Kapofu, 2015: 67).

Entrepreneurial culture is a strategic tool that strengthens the SMEs activities and improves firms' performance. It encourages failure tolerance, risk taking culture, creativity. Entrepreneurial culture is related to entrepreneurial orientation which has three dimensions as; innovativeness, proactiveness and risk taking (Wiklund, 2006). Miller and Friesen (1978) described innovativeness as the tendency to support new ideas, novelty and experimentation, proactiveness is the posture of anticipating and acting on the future needs of the market and risk-taking as the willingness to commit large amounts of resources to projects without being sure of the expected outcome.

Small and Medium Enterprises (SMEs)

The concept of SMEs varies according to nations and even industries in terms of size, capacity, number of employees, annual turnover among others. The importance of small and medium enterprises cannot be over emphasized for its contribution to the development of any nation. Muritala, Awolaja and Bako (2012) define SME as the bedrock of any large and developed

economies. There are some criteria to Akoja and Balcioglu (2010) used to define small enterprises which include: financial capacity, number of employees, sales volume, size, working capital, type of industry and ownership. The United State of America, United Kingdom as well as Canada defines SME in terms of annual turnover and the number of employees. Small enterprise is seen in UK as any industry with an annual turnover of two million pounds or less with less than 200 paid workers (Epkeyong & Nyong, 1992).

There is no clear distinction between small and medium enterprises. The Federal Ministry of Industries define small enterprises in 1973 as that having capital of up to N60,000 and 50 employees or less (Muritala, *et al.*, 2012). The Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding N500,000. The various definitions and many others made it difficult to have a clear-cut of small and medium enterprises.

Performance

Performance is a fairly broad concept, and its meaning changes in accordance with user's perspective and needs (Kabuoh, Ogbuanu & Chieze, 2016). Traditionally, firm performance has been viewed and measured in accounting terms. However, marketing performance measurement is the assessment of "the relationship between marketing activities and business performance" (Clark & Ambler 2001:231). Promotional strategy (PS), Customer relationship management (CRM), and Marketing planning effectiveness (MPE) are some of the marketing strategies that a firm uses to enhance its performance and stand tall among rivals especially in the midst of stringent competition. Market performance as aligned with the above concepts could be measured with customer relationship marketing (Kabuoh, Ogbuanu, Alagbe, & Egwuonwu, 2016). However, it seems that most organizations shy away from adopting the strategic marketing tools in promoting their goods/services which consequently impact on their performances especially the small and medium firms (Kabuoh, Egwuonwu & Ogbonna, 2014).

A business firm performance is seen to be effective if it attains its sales or market share goals which depends on efficiency, while an organizational performance is said to be effective if it makes use of its resources to attain high level of performance (Adeleke, Ogundele & Oyenuga, 2008). Stephen and Edith (2012) posit that the effectiveness of an organization in fulfilling its purpose is termed performance. They further assert that performance determines the existence of an organization in the economy but Suleiman (2011) views performance as the reflection of how the organization uses its resources in such a way that will ensure the achievement of its set objectives. Resources include human, material, financial and information resources. The other resources are coordinated by human resource that is the organizations employees. Kabuoh (2013) stated that performance level of any organization depends largely on the employees' productivity level and for any organization to excel and remain in business, it must be cautious of her work environment especially the internal environment by making provisions for all necessary facilities that will aid production. She added that the organization should benchmark her external environment and guard against possible changes that might impact on her performance. The economic growth and development of any nation is a product of effective and successful organizations in that nation (Kabuoh, 2013).

Productive organization achieves its goals by transforming inputs into output at the lowest costs (Olayemi, 2004). Marketers use marketing intelligence for various purposes that is gaining competitive advantage, counteracting market's insurgencies, and identifying market

potentials. The process of any bank minimizing costs to achieving effective market segmentation strategies which invariably transforms to customers' patronage and loyalty places such bank as achieving effective market performance. The success of a product, service, individual and business organization is based on being perceived as unique. Any market leader if watched well has a place in the consumer's heart Kabuoh, Egwuonwu and Otsupius (2015) and he has positively differentiated himself from other competitors. Branding has been a distinguishing factor used by companies in form of product differentiation (Kabuoh, 2012).

Theoretical Framework

Dynamic Capabilities Theory (DCT)

The DCT was initially introduced by Teece and Pisano in 1994. Dynamic Capabilities was an extension of the Resource Based View. Teece and Pisano (1994) opined that companies pursued a resource-based strategy in the past to accumulate valuable technological assets, often reserved by a defensive approach towards intellectual property in order to be successful. DCT is defined as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano & Shuen, 1997). Dynamic capabilities thus reflect an organizations ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. DCT is the suitable term to stress the firm's ability to exploit internal and external changing environment to be able to beat competition, achieve organizational goal and remain in business. Beyond building organizational capability, stakeholder perceptions also indicate that the organization has to build its capacity to exploit current resources, capability exploitation, and engage in capability building (Ahenkora & Ajei, 2012). Effective managers adopting DCT will always excel performance wise.

The concept of dynamic capabilities as the ultimate source of competitive advantage is at the forefront of strategy research (Hou & Chien, 2010). It is an extension of the resource-based view theory. As the RBVT focuses on only the application of internal resource to achieve efficiency and effectiveness, DCT fills the gap of accounting for market dynamism (Priem & Butler, 2001; Landroquez, Castro & Cepeda, 2011). This support the need of some organizations achieving set of goals on a gradual basis and also achieve competitive advantage in dynamic markets (Ferdinand, Graca & Easter by-Smith, 2004). They added that intangible resources as knowledge and skills need to be reconfigured and adapted to suit the changing business environment by adding value to it. Market orientation, knowledge management and customer relationship management are the three important aspects of organizational capabilities needed to for the creation of superior customer value (Landroquez, Castro & Cepeda, 2011).

Empirical Framework

Karimi and Abedini, (2015) conducted a study on the Relationship between entrepreneurial culture and organizational entrepreneurship as viewed by employees working at Hormozgan Province Education Department, Iran. Result shows that business entrepreneurial culture significantly affects other variables and business performance. Hence, it is necessary to address this issue and take appropriate measures to promote business entrepreneurial culture. Foss and Lyngsie (2011) in their study on the emerging strategic entrepreneurship field: Origins, key tenets, and research gaps noted strategic entrepreneurship is mainly still a rather loose amalgam of a number of insights from strategy and entrepreneurship. There is therefore the need to develop clear(er) research models around which research can build, and consequently build a body of empirical knowledge on strategic entrepreneurship as one element.

Aziz, Mahmood, Abdulla and Tajudin (2013) concluded that entrepreneurial orientation has effect on the firm's overall performance. Asikhia (2010) confirmed the relationship between managerial attitude and small and medium enterprises performance. If entrepreneurial culture is strongly followed, it will impact positively on the productivity of the firm.

Methodology

The study took a theoretical approach. Secondary sources of information were employed from text books, journals, internets and other informed observations. The study was a generalised one on SMEs hence no particular emphasis on any firm as study case. The study variables were all reviewed conceptually, theoretically and empirically. These variables are entrepreneurial culture as independent variable, Performance as dependent variable while SMEs is the study sector. Conclusion drawn based on the reviews while recommendations were made to enhance the effect of entrepreneurial culture on the performance of SMEs in Nigeria.

Conclusion and Recommendations

SMEs in Nigeria have really not done well in spite of various programmes by government to enhance their performances. Most researchers conducted on small and medium enterprises are based on external variables, finance, infrastructure, marketing among others while this study is based on internal challenge (entrepreneurial culture and performance of SMEs in Lagos state) which is strategic to organisational performance. The study confirmed that there is relationship between entrepreneurial culture and performance of SMEs. This finding suggests that if entrepreneurial culture is effectively imbibed, the expectation of SMEs of contributing to economic development, employment generation and poverty alleviation shall be achieved.

Recommendations are made based on the findings from the study.

1. Entrepreneurial culture should be properly imbibed by small and medium enterprises in Nigeria in quest to achieving organisational performance as well as contributing to the Gross Domestic Product of the country.
2. There is need for future researchers to look inwards towards internal factors as might affect the owners/ managers of SMEs towards achieving their set goals.
3. Government and Policy makers should as a matter of lay down rule make it mandatory for the incorporation of entrepreneurial culture as risk taking, innovativeness, product improvement, learning, failure tolerance and reduction of unemployment. There should be periodic follow up in form of monitoring of these practices to ensure compliance.

In summary, the application of the above recommendations certainly shall enhance self-reliance.

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