

SMEs Sales Growth: Is Entrepreneurial Leadership Relevant?

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Abstract

The paper argued that entrepreneurial leadership components is relevant on sales growth of SMEs. To quantitatively resolve this argument, a cross-sectional survey research design was adopted to obtain data from 471 owners/managers of the SMEs in South-West Nigeria. The simple random sampling technique was used while results from the pilot study were applied in determining the test of reliability and validity of the adapted questionnaire before using it for the study. The partial least squares structural equation modeling (PLS-SEM) analysis results revealed that entrepreneurial leadership components had positive and significant effect on sales growth of SMEs in South-West, Nigeria [($Adj R^2 = 0.807$; $F^2 = 0.179$; $SRMR = 0.066$, $NFI = 0.813$, $p < 0.05$]. SME owners and managers should prioritize the development of entrepreneurial leadership components, particularly opportunity recognition, proactiveness, and risk-taking propensity to increase sales and overall SMEs' growth.

Keywords: *Entrepreneurial leadership, Opportunity recognition, Proactiveness, Risk-taking propensity, SMEs sales growth*

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Background to the Study

Economies are seeking to convert from industrial era to entrepreneurial societies, with SMEs playing a central role. Nguyen et al. (2021) and Cho and Lee (2018) discuss that entrepreneurial leadership is a probable key driver of SME success and growth. Moreover, given the rapid proliferation of SMEs worldwide (Ariguzo et al., 2019; D'Angelo & Presutti, 2019), scholars have continued analyzing factors impacting SME performance and growth trajectories (Park et al., 2020). Such research recognizes that robust SME sectors make vital economic contributions through job creation, value-added services, and overall national development (Nguyen et al., 2021). Hence, nurturing competitive SMEs represents both a goal and an imperative for countries globally. Interestingly, SMEs operate in nearly all sectors and highly diverse across local and national environments since they innovative start-ups actors or traditional enterprises (Abdullahi et al., 2022; Egwakhe et al., 2022; European Court of Auditors, 2022). Nevertheless, Ariguzo et al. (2019), Egwakhe et al. (2022) and World Economic Forum (2022) asserted that the ascension of SMEs' business sustainability and growth remains a universal concern, producing continuous debate among scholars and specialists. Kamuri and Ngugi (2019) stressed that for any economy to attain increased economic activities; SME expansion could be the barometer. Consequently, smaller companies are the driving forces for economic development, as Europe's 23 million smaller firms represent 99.8% of non-financial businesses and provide around two-thirds of all jobs (European Investment Bank (EIB) Investment Survey, 2021).

Nevertheless, SME growth has deteriorated in both developed and developing countries' economies (World Bank Report, 2018). World Economic Forum (2022) and the National University of Singapore Business School (2022) report revealed that SMEs and mid-sized companies are the backbones of the global economy since they create close to 70% of jobs and GDP worldwide, however, 67% of SMEs worldwide are fighting for survival and growth. In Nigeria, the National Bureau of Statistics (2020) and the International Labour Organisation (ILO) (2022) reported that SMEs have contributed about 48% on average, to the national GDP between 2015 and 2020, totaling about 17.4 million enterprises, thus accounting for about 50% of industrial jobs and nearly 90% of activities in the manufacturing sector, in terms of number of enterprises. Also, Economics Observatory (2021) reported that despite the significant contribution of SMEs to the Nigerian economy, challenges persist that is hindering the growth of the sector. PricewaterhouseCoopers (2020), National Survey of MSMEs (2020), and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2020) reports revealed that at least 1.9 million MSMEs have been lost since 2017 of which SMEs are inclusive and business closures persist at an alarming rate even in 2022 (International Labour Organisation (ILO), 2022). From these diverse perspectives, it becomes self-evident that major of SMEs in Nigeria are thriving on chaos.

Further, contextual review has shown that SME growth is declining in Nigeria (Abdullahi et al., 2022; Egwakhe et al., 2022). Substantiating this position, earlier SMEDAN (2021) reported that the number of SMEs across the country dropped by about two million between 2017 and 2021, as the 2021 SME Survey showed that there are 39 million SMEs in Nigeria, indicating a significant drop from 41 million MSMEs reported in the 2017 survey report, thus,

inferring a lack of growth. More so, the 73,081 SMEs in Nigeria as of 2017 have shown a persistent decline at an alarming rate (SMEDAN, 2021). Correspondingly, reports reveal that about 64.5% of SMEs in Nigeria generate a monthly turnover below N50, 000 (NBS, 2021; SMEDAN, 2021). The remaining SMEs have average sales between N50, 000 and N300, 000, with the N601, 000–N900, 000 categories recording the least turnover. Further analysis of 2020 and 2017 data revealed a monthly average turnover of below N50, 000, a decrease of 1.8% in 2020 (NBS, 2021; SMEDAN, 2021). In addition, based on sales growth, the SMEDAN and NBS (2021) indicated that the transportation and storage SMEs sector recorded an average monthly sale of N23.0 Million, Real Estate, activities N20.2 Million, Accommodation and Food Service N10.8 Million and Wholesale and Retail Trade N8.9 Million. The least performing sectors are Other Services Activities N288.0 thousand and Administrative and Support Services N1.1 million in 2021 as against the sales number reported in 2017, which indicates a decrease in SMEs' overall sales and contribution to GDP.

In light of these discussions and concerns which would have been further negatively impacted by the novel COVID-19 pandemic, scarcity of previous studies on entrepreneurial leadership components and sales growth exists with divergent results. For instance, studies have emphasized the role of SME owners and entrepreneurial leadership in facilitating SMEs performance (Oh & Kim, 2021; Puspaningrum, 2020; Sabiu & Abduh, 2021) and the need to incorporate entrepreneurial leadership in SMEs activities (Maaodhah et al., 2021; Wahyuni & Sara, 2020). However, the relationship between entrepreneurial leadership and SMEs' sales growth performance has been under-researched (Idawati & Sumartini, 2020; Rahaman et al., 2021), with more limited studies in developing countries. Also, existing studies (Mulago & Oloko, 2019; Olu-Egbuniwe & Maeyouf, 2019) have examined the relationship between entrepreneurial leadership and business performance, organizational productivity, and SMEs survival. Nevertheless, none of these studies dealt with the effect of entrepreneurial leadership on SMEs' growth and the methodological approach was not PLS-SEM oriented. Hence, there is a knowledge gap and this study aimed to fill the gap between entrepreneurial leadership components and sales growth of SMEs in South-West Nigeria. The formulated hypothesis for this paper is thus stated as:

Null Hypothesis: Entrepreneurial leadership components have no significant effect on sales growth on small and medium enterprises (SMEs) growth in South-West Nigeria.

Literature Review

SMEs Sales Growth

Coad et al. (2016) defined sales growth in terms of revenue generation, value addition, and expansion in terms of the volume of the business. Tyoapine (2016) added that sales growth refers to the amount a company derives from sales compared to a previous corresponding period in which the later sales exceed the former (Wahyuni et al., 2019). As such sales growth is a strategic indicator used in decision-making by executives and the board of directors and influences the formulation and execution of business strategy (Wales et al., 2020). More so, sales growth is the parameter used to measure the sales team performance to increase revenue over a pre-determined period (Gimmon et al., 2021). It is calculated by dividing the change in

sales from one period to another by the sales in the base period (Botha et al., 2021; Cemberci, 2021). Consequently, it depicts a sudden and significant upswing in a company's earnings resulting from increased sales (Naushad, 2021; Umelue & Akwaeze, 2019). Interestingly, sales growth signifies the expansion of a company's share of the overall market due to increased sales (Alteren & Tudoran, 2018) and characterizes a notable increase in the quantity of products or services sold and the forward movement in a company's sales performance and numbers (Igwe et al., 2020).

Entrepreneurial Leadership

The concept of entrepreneurial leadership emerged due to the combination of entrepreneurship and leadership (Yang, 2008). The need to increase uncertainty and competition led to a new leadership style named entrepreneurial leadership (Goossen & Stevens, 2013). According to Anju and Mathew (2017), entrepreneurial leadership refers to leadership that can communicate the vision and develops and utilize opportunities to gain a competitive advantage. Moreover, Mamun et al. (2018) defined it as a leadership style that can delegate, build employees who behave responsibly, make and determine decisions, and work independently. Earlier, Goossen and Stevens (2013) had asserted that entrepreneurial leadership involves creating an environment that inspires committed followers to spot opportunities and exploit them for sustainable value creation. Thus, entrepreneurial leadership encourages and enables organizations to adopt processes that reinforce the culture of organizational innovation by discovering and capitalizing on opportunities to improve organizational performance, solve problems using creative methods, and utilize the resources of the organization effectively and efficiently (Sawaeen & Ali, 2020).

Further, entrepreneurial leadership comprises of a leader who is responsive, creative, and proactive toward the competitor's environment and the direction of changing market opportunities (Anju & Mathew, 2017). Thus, according to Zainol et al. (2018), entrepreneurial leadership creates a climate of entrepreneurial behavior expected to bring the organization toward success. Therefore, entrepreneurial leadership assumes greater chances of effectively managing the business entity than a manager who lacks status authority (Sawaeen et al., 2021). Determining what constitutes entrepreneurial leadership lies in how well a leader manages his general entrepreneurial leadership behavior, miner behavior, explorer behavior, accelerator behavior, and integrator behavior (Mehmood et al., 2021). More so, intelligent leaders of organizations use their skills and capabilities to achieve growth and rapid development for their firms while creating competitive advantage and sustainable businesses (Palalic, 2017; Sawaeen & Ali, 2020). Therefore, entrepreneurial leadership components applied in this paper included opportunity recognition, proactiveness, and risk-taking propensity. These sub-variables are briefly discussed.

Opportunity Recognition

According to Guo et al. (2016), opportunity recognition is an individual's efforts in searching and identifying ideas with the potential to develop them into a business form. Therefore, opportunity recognition is a process wherein individuals and organizations actively seek opportunities for new products and services; likened to a constant state of brainstorming,

where businesses are always searching for ways to innovate or improve (Hartono & Ardini, 2022). It is a procedure through which entrepreneurs identify potential methods of growing their ideas or beginning new ventures, as it offers entrepreneurs the chance to brainstorm new and better ideas constantly (Tsetim et al., 2020). Scholars claimed that opportunity recognition appears to include three distinct processes, sensing or perceiving market needs and or underemployed resources, recognizing or discovering a “fit” between particular market needs and resources, and creating a new “fit” between different needs and resources (Tsetim et al., 2020). According to Wasdani and Mathew (2014), market opportunities arise due to changes in technology, changes in the standard of living of consumers, changes in the purchasing power of consumers, and changes in products and service regulations thus recognizing opportunities is a fundamental aspect of the entrepreneurial process (Hartono & Ardini, 2022).

Proactiveness

Layaman et al. (2021) referred to proactiveness as entrepreneurial behaviors where an organization steps ahead of rival competitors, being abreast of customers' demands and market trends by continuously scanning, monitoring the trends, and at the same time, taking entrepreneurial actions. Proactiveness is a strategy to achieve the business success of an organization characterized by confidently seeking opportunities where they introduce new products, services, or markets ahead of other competitors and acting in anticipation of future changes in demand and emerging uncertainty in the firm's internal and external environment, (Hughes & Morgan, 2017; Lumpkin & Dess, 2019). Thus, it refers to an organizational attitude that facilitates the introduction of new products and services, understanding customers' demands, and reacting to the market ahead of competitors because of their constant monitoring, alertness, and identification of customer's needs and current environmental trends (Lumpkin & Dess, 2019). Further, Bature et al. (2018) referred to proactiveness as the ability and willingness to seek new opportunities that may or may not be related to the existing line of operation or market. In other words, entrepreneurial firms shape their environment by introducing new products, services, and new markets ahead of their competitors. Thus, pro-activeness is an initiative to take, anticipate, and carry out new opportunities and create new markets or participate in emerging ones (Osakede et al., 2017).

Risk Taking Propensity

The concept of risk-taking in entrepreneurship refers to the willingness of entrepreneurs to take calculated business-related risks (Mwaura et al., 2019). According to Otache and Mahmood (2015), risk-taking is the willingness and readiness to commit resources (own or borrowed) to pursue identified market opportunities with reasonable possibility of losses. Risk-taking, as a core feature of entrepreneurship, is not about taking extreme or uncontrollable risks but taking moderate and calculated risks (Otache & Mahmood, 2015). Risk-taking is associated with entrepreneurship because the concept of entrepreneurship in its original form includes the assumption of personal risk-taking hence Lumpkin and Dess (2019) argued that the characteristics of entrepreneurially oriented firms are risk-taking behavior, such as incurring heavy debts or making significant resource commitments to obtain high returns by seizing marketplace opportunities. Risk-taking entails the willingness to pursue

opportunities with a substantial likelihood of producing losses or significant performance discrepancies (Verbano & Venturin, 2020).

Entrepreneurial Leadership Components and Sales Growth

Previous studies on entrepreneurial leadership and sales growth have stimulated commentary and debate with divergent results. Moreover, most of these research works conducted in developed countries and other sectors apart from SMEs applied different predictor variables(s) other than entrepreneurial leadership on sales growth. For instance, Fejza and Avdullahi (2020) study results revealed a statistically insignificant effect of entrepreneurs' education on SMEs' sales growth. Likewise, Lu et al. (2021) found a positive link between corporate social responsibility (CSR) and SME sales growth mediated through competitive advantage. Correspondingly, Mahmutaj and Krasniqi (2020) study established that marketing innovation had a positive association with firm growth, while new-to-firm products had a negative link with growth. Nevertheless, product/process and organizational innovations had an insignificant effect on growth. While Lee et al. (2020) found financial inclusion positively affected sales growth. However, the interaction terms between financial inclusion and innovation revealed that financial innovation negatively affected the sales growth rate of firms engaging in financial inclusion. Additionally, Cesinger et al. (2018) studied growth intention and sales revenue growth in small businesses using firm size growth as a mediating effect. Findings revealed that growth intention positively impacted sales growth, firm size growth positively impacted sales growth, and firm size growth mediates the effect of growth intention on sales growth.

Similarly, focusing on food and beverage manufacturing SMEs in Rivers State, Nigeria, Amadi and Nuel-Mark (2021) found that active search, personal alertness, and prior knowledge had a strong positive and significant relationship with sales growth, market share and profitability growth. Thus, the dimensions of market opportunity recognition (active search, personal alertness, and prior knowledge) had a significant relationship with the measures of business performance. Also, Mehmood et al. (2021) study found that entrepreneurial leadership had a positive and significant effect on team creativity, while entrepreneurial leadership and team creativity was significantly moderated by team psychological safety and knowledge sharing. Corroboratively, the study of Sawaeen et al. (2021) indicated that entrepreneurial leadership had a positive and significant effect on organizational performance in sales mediated by innovation management and learning orientation. Also, Nguyen et al. (2021) discovered that entrepreneurial leadership had a positive effect on SMEs' performance. Conversely, the study by Naushad (2021) found that entrepreneurial leadership had an insignificant effect on SMEs' sustainability. Ximenes et al. (2019) also indicated that entrepreneurial leadership had insignificant effect on SMEs' performance work system, employee creativity, and employee performance.

Theoretical Framework

This paper was anchored on the Fiedler's Contingency Leadership Style Theory which was developed by Fred Fiedler in 1967. The contingency Leadership style theory determines whether a person's leadership style is task or relationship orientated and if the situation

matches the leader's style to maximize performance (House & Aditya, 1997). However, the theory assumes that there's no one best style of leadership. Instead, a leader's effectiveness is determined by whether the leader's style and the environment in which the leader performs complement each other. Correlating leadership styles with group business growth, Fiedler (1967) suggested that the most effective leadership approach in a situation the manager could apply includes task-oriented or relationship-oriented leadership. The task-oriented style, for instance, requires good leader–member relations, structured tasks, and a strong leader-position power. It will also be successful if the opposite extremes exist. It implies that task-oriented leadership is appropriate where the work situation is either relatively favorable or unfavorable. Where the work situation is moderately favorable, the relationship-oriented style appears to be more effective. An example of this case is where leader–member relations might be good, but the task is unstructured, while leader-position power is weak (Fiedler, 1967).

Thus, in the case of Fiedler contingency theory, a leader's preference plays a significant role in the ability to be successful in situations. Specifically, the theory states that leaders who favor a human-orientation (High LPC) approach will do best in favorable situations, while task-orientation leadership (Low LPC) will be most effective in unfavorable situations (Hughes et al., 1999; Yukl, 2002). Thus, the theory attempts to provide a balance between an individual's preference and situational factors; hence it is relevant to this study. Accordingly, the significance of opportunity recognition [OR] (x_1), proactiveness [PRO] (x_2), and risk-taking propensity [RTP] (x_3), as components of entrepreneurial leadership [EL] (X) on sales growth [SG] (Y) on small and medium enterprises (SMEs) growth in South-West Nigeria is germane. This occurrence is therefore expressed mathematically as: $SG = \beta_0 + \beta_1OR_i + \beta_2PRO_i + \beta_3RTP_i + \mu_i$

Methodology

The architectural-research design for this paper was the cross-sectional survey research design which was applied in consonance with previous scholars works such as Mehmood et al. (2021), Sawaeen et al. (2021), Nguyen et al. (2021), Amadi and Nuel-Mark (2021), Sawaeen and Ali (2021), and Hartono and Ardini (2022) to obtain information by gathering data from a specific sample of a given population, through personal or impersonal means, to study its characteristics. Moreover, the research design was utilized to broaden the understanding of a specific population at a particular time and determine behavioral patterns (Zikmund et al., 2015). The study population was SMEs operating in South-West, Nigeria, totalling 149,317 (SMEDAN, 2021). SMEs in South-West Nigeria were selected because the South-West dominates the Nigerian SMEs in distribution, with 51% of MSMEs operating from the South-West Nigeria (Kippa MSMEs, 2022). The paper utilized the Cochran's sample size formula (1977) at 95 percent confidence level and 5percent margin error. Accordingly, a sample size of four hundred and ninety-eight (498) which comprised an additional 30% sample size taking into cognizance non-response occurrence possibilities (Zikmund et al., 2015).

The simple random sampling technique was adopted, while a well-structured questionnaire was utilized as the research instrument with adapted question items. The questionnaire was administered both in person and with research assistants. A pilot test was conducted on the

questionnaire along with validity and reliability test to establish the fact that the instrument could measure what it was projected to measure and taking note of how well the concept was defined by the measure(s). A pilot study test result of 0.7 and higher was achieved. Also, based on the pilot test result, the factor analysis was utilized to eliminate question items that either reduced the suitability of the data (Kaiser-Meyer-Olkin [KMO]) and or strength of the association between the variables (Bartlett test). Correspondingly, the content, criterion, and construct validity were confirmed to verify the validity of the instrument. The validated reliability result through Cronbach's alpha coefficients from the internal consistency test showed; Sales Growth (α) = 0.717 and Entrepreneurial leadership components ranged from 0.720 - 0.807. Primary data sourced from the sampled SMEs in South-West; Nigeria were used in this study. Also, the partial least squares structural equation modeling (PLS-SEM) analysis was implemented to study the effect. Consequently, the regression equation was established based on the components of entrepreneurial leadership. Therefore, the model was formulated regarding the research objective:

$$Y = f(X)^n \text{ that is:}$$

$$Y = f(x_1, x_2, x_3)$$

$$Y = \alpha_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \mu_i \dots \dots \dots \text{eq. 1}$$

Where: Y = Sales Growth (SG)
 X = Entrepreneurial Leadership (EL)

Where:
 x_1 = Opportunity Recognition (OR)
 x_2 = Proactiveness (PRO)
 x_3 = Risk Taking Propensity (RTP)

The functional relationship of the model is presented as:

$$\text{Hence: } SG = \beta_0 + \beta_1 OR + \beta_2 PRO + \beta_3 RTP + \epsilon_i \dots \dots \dots \text{equ. 1}$$

Where:
 β_0 = Constant term
 β_1 = Coefficient of Opportunity Recognition
 β_2 = Coefficient of Proactiveness (PRO)
 β_3 = Coefficient of Risk-Taking Propensity
 ϵ_i = error or stochastic terms

Utilizing the partial least squares structural equation modeling (PLS-SEM) analysis, the hypothesis was tested at a 95% confidence interval. The study *a priori* expectation is that a positive and significant effect will be observed from entrepreneurial leadership components on sales growth of SMEs. Moreover, this study adhered strictly to ethics of research regarding anonymity, respect for human dignity, confidentiality, and non-falsification of data, while non-data manipulation was implemented in the data collection and collation procedure. In the

same vein, materials retrieved from previous works conducted by other scholars were duly acknowledged.

Results

In order for the researchers to determine whether entrepreneurial leadership components have no significant effect on sales growth of SMEs in South-West, Nigeria, the partial least squares structural equation modeling (PLS-SEM) analysis was applied. The predictor variable used in the study was entrepreneurial leadership components (opportunity recognition, proactiveness, risk-taking propensity), while the outcome variable was sales growth. The results of the analysis and parameter estimates achieved from the analysis are presented in Tables 1 -3. Also, figure 1 displays the outcomes of the bootstrapping procedure, illustrating the obtained results and their implications for the structural model analysis for the hypothesis.

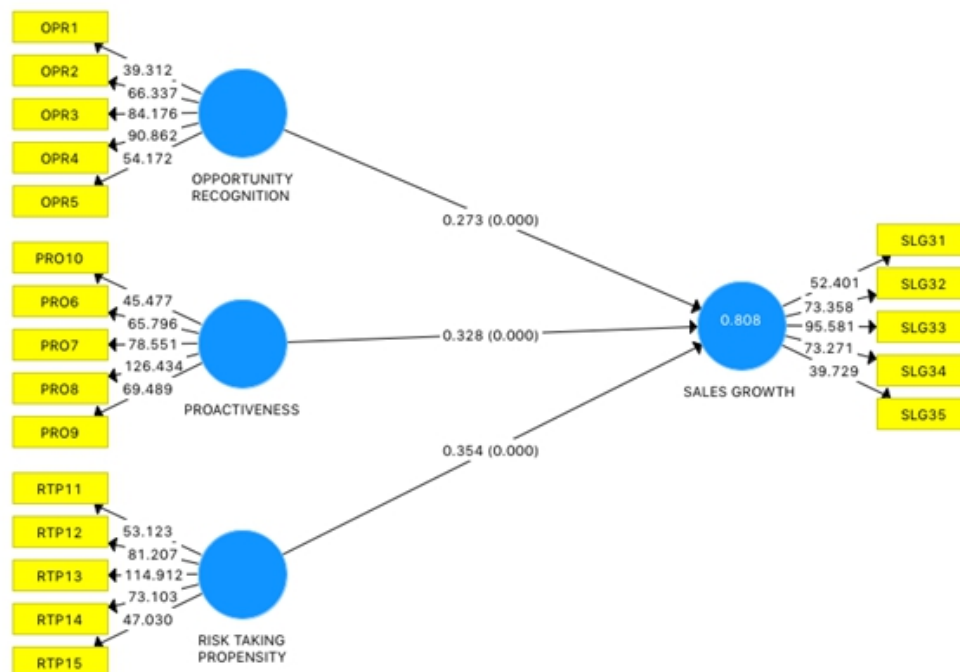


Figure 1: Bootstrapping Outcome for Opportunity Recognition, Proactiveness and Risk-Taking Propensity on Sales Growth

Source: Researcher's Field Survey Results (2024)

Interpretation

The bootstrapping procedure was performed to assess the statistical significance of the structural path coefficients in the model. A *p*-value threshold of 0.05 is set to determine the statistical significance of path coefficients between the independent variables and dependent variable in the multiple regressions modeled through partial least squares structural equation modeling (PLS-SEM), implying effects with *p*-values below 0.05 have a less than 5% probability of occurring randomly due to sampling variations alone. In Partial Least Squares Structural Equation Modeling (PLS-SEM), a *p*-value threshold of < 0.05 typically signifies

statistical significance, indicating that the coefficient has a significant effect on the model. Conversely, a p -value threshold of > 0.05 suggests non-significance, indicating that the coefficient does not have a significant effect on the model.

Results revealed that the path from opportunity recognition to sales growth ($\beta = 0.273$) is significant at the 0.001 level based on the t -value of 5.757, which exceeds the critical value of 3.29 for significance at $p < 0.001$. The path coefficient from proactiveness to sales growth ($\beta = 0.328$) is also significant with a t -value of 5.736 ($p < 0.001$) and, the effect of risk-taking propensity on sales growth ($\beta = 0.354$) is significant at the 0.001 level with a t -value of 6.939. Since all direct path coefficients exceed the critical values for significance, we can conclude that opportunity recognition, proactiveness, and risk-taking propensity each have a statistically significant positive effect on sales growth. The bootstrapping results validate the hypothesized relationships in the structural model and lend credibility to the model's predictive ability regarding sales growth based on this set of entrepreneurial orientation indicators. The model is empirically robust. Thus, the goodness of fit indicators that provide insights into the overall adequacy of the model in explaining the relationships among variables are presented in Table 1.

Table 1: Goodness of Fit of Opportunity Recognition, Proactiveness and Risk-Taking Propensity on Sales Growth

Goodness of Fit	
	Estimated Model
SRMR	0.066
d_ULS	0.909
d_G	0.548
Chi-Square	1626.595
NFI	0.813

Source: Researcher's Field Survey Results (2024)

Interpretation

Table 1 shows the PLS-SEM model which demonstrates adequate fit based on the set of fit indices reported. The Standardized Root Mean Square Residual (SRMR) value of 0.066 is below the common cutoff of 0.08, indicating appropriate model fit from the residuals. The exact model fit validated through the geodesic discrepancy d_ULS of 0.909 and d_G of 0.548 further confirms model fit, with values under 1 generally considered good fit. The chi-square value of 1626.595 provides a basis for comparing to the saturated model, but being sensitive to sample size is hard to interpret standalone. The normed fit index (NFI) of 0.813 approaches the 0.9 threshold for great fit. Overall, the combination of these indices provides evidence that the PLS path model fits the data well. The structural model relationships can be interpreted as plausible representations of the true relationships between the constructs in the conceptual model. The path analysis that examines the effect of latent variables and observed variables, as well as the direct and indirect effects among these variables, is presented in Table 2 indicating a summary of the path result obtained using SmartPLS on the effect of entrepreneurial

leadership components (opportunity recognition, proactiveness, risk-taking propensity) on sales growth.

Table 2: Path analysis of Opportunity Recognition, Proactiveness and Risk-Taking Propensity on Sales Growth

Path	Beta	Standard Error	T Statistics	R ²	Adj.R ²	Prob.	Decision
Opportunity Recognition -> Sales Growth	0.273	0.048	5.757	0.808	0.807	0.000	Supported
Proactiveness -> Sales Growth	0.328	0.057	5.736			0.000	Supported
Risk Taking Propensity -> Sales Growth	0.354	0.051	6.939			0.000	Supported

Source: Researcher's Field Survey Results (2024)

Interpretation

The path analysis indicates in Table 2 above indicates that opportunity recognition ($\beta = 0.273$, $p < 0.001$), proactiveness ($\beta = 0.328$, $p < 0.001$), and risk-taking propensity ($\beta = 0.354$, $p < 0.001$) each have a significant positive effect on sales growth. The path coefficients suggest that risk-taking propensity has the strongest effect on sales growth, followed by proactiveness and then opportunity recognition. The t -statistics for all three paths are well above the threshold of 1.96 for significance at the 0.05 level.

The model explains 80.8% of the variance (R^2) in sales growth, with an adjusted R^2 of 0.807, indicating substantial predictive power. Overall, entrepreneurs' opportunity recognition skills, proactive disposition, and tendency to take risks are positively associated with increased sales growth. Fostering these attributes may improve entrepreneurs' ability to identify and exploit growth opportunities. The effect size (F^2) that assesses the importance and practical significance of the latent variables in the model is presented in Table 3 showing the summary of the effect sizes for the effect of entrepreneurial leadership components (opportunity recognition, proactiveness, risk-taking propensity) on sales growth.

Table 3: Effect Size (F^2) of Opportunity Recognition, Proactiveness and Risk-Taking Propensity on Sales Growth

	F-Square (F^2)	Effect Size	97.5% CI	Prob
Opportunity Recognition -> Sales Growth	0.097	Small	0.183	0.010
Proactiveness -> Sales Growth	0.132	Small	0.247	0.008
Risk Taking Propensity -> Sales Growth	0.179	Medium	0.313	0.002

Source: Researcher's Field Survey Results (2024)

Interpretation

Table 3 shows the f-square effect sizes which indicate the effect of opportunity recognition, proactiveness, and risk-taking propensity on sales growth. The effect of opportunity

recognition on sales growth is small ($f^2 = 0.097$) based on the guidelines that f^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects. Proactiveness also has a small effect on sales growth ($f^2 = 0.132$). However, risk-taking propensity now has a medium-sized effect on sales growth ($f^2 = 0.179$), between the thresholds of 0.15 and 0.35. The confidence intervals for all effects do not contain zero, indicating they differ significantly from no effect. In summary, opportunity recognition and proactiveness have small but significant effects on sales growth, while risk-taking propensity has a medium but significant effect. This suggests that risk-taking propensity explains a more meaningful amount of variance in sales growth compared to opportunity recognition and proactiveness.

Consequently, it is strongly advised that SME owners/Managers in Lagos State, Ogun State, Ekiti State, Osun State, Oyo State, and Ondo State in South-West Nigeria should prioritize developing and enhancing the entrepreneurial leadership components of opportunity recognition, proactiveness, and risk-taking propensity. This is because these entrepreneurial leadership components have been found to have a positive and significant effect on sales growth, leading to increased SMEs growth. The model equation is as follows:

$$SG = \beta_0 + 0.273OR + 0.328PRO + 0.354RTP + \varepsilon_i \text{----- Eqn1}$$

Where:

- SG = Sales Growth
- OR = Opportunity Recognition
- PRO = Proactiveness
- RTP = Risk-Taking Propensity

The path regression model above revealed that when combining all the dimensions of entrepreneurial leadership together as the independent variable, it positively and significantly predicted the sales growth. Based on the results above, the null hypothesis which states that entrepreneurial leadership components have no significant effect on sales growth has no evidence to support it; therefore, based on the path results, this study fails to accept the null hypothesis for this paper's hypothesis. This indicates that entrepreneurial leadership components have a significant effect on sales growth.

Discussion of Findings

The results of Partial Least Squares Structural Equation Modeling (PLS-SEM) path analysis for this paper's hypothesis revealed that entrepreneurial leadership components (opportunity recognition, proactiveness, and risk-taking propensity) have a positive and significant effect on sales growth in South-West Nigeria. The results in this study are consistent with the conceptual position of Sawaeen and Ali (2020) that entrepreneurial leadership empowers individuals to identify and exploit profitable opportunities. Likewise, Strobl et al. (2020b) added that entrepreneurial leadership includes opportunity recognition, related to an individual's perception, and exploitation of opportunities linked with action. Hence entrepreneurial leaders articulate a vivid and inspiring vision for their organizations that can garner the participation of individuals, thereby enhancing their awareness to act as an agent of

the organization in charge of innovation and future success. Therefore, Sawaeen and Ali, (2021) submits that intelligent leaders of organizations use their skills and capabilities to achieve growth and rapid development for their firms while creating competitive advantage and sustainable businesses.

Empirically, the findings of this research affirmed extant studies such as Mehmood et al. (2021), Sawaeen et al. (2021), Nguyen et al. (2021), Amadi and Nuel-Mark (2021), Sawaeen and Ali (2021), and Hartono and Ardini (2022) findings. Additionally, Mahmutaj and Krasniqi (2020) study established that entrepreneurial leadership had a positive association with firm growth. Lee et al. (2020) also found that entrepreneurial leadership positively affected sales growth. Corroboratively, the study of Cesinger et al. (2018) indicated that entrepreneurial leadership has significant influence on sales revenue growth of small businesses. Similarly, Al-Abrow et al. (2021) indicated that entrepreneurial leadership has positive effect on SMEs growth, sales growth. Botha et al. (2021) further showed that opportunity recognition has significant influence on sales growth. The study of Jun et al. (2021) indicated that risk-taking propensity have significant effect on SMEs growth. Nwankwo and Kanyangale (2020) reveled that proactiveness have positive effect on sales growth. Renault et al. (2020) study showed that entrepreneurial leadership has significant influence on sales.

In consonance with the authors above, the study of Aigboje (2020) found that entrepreneurial leadership has positive and significant influence on sales. Similarly, the work of Duffy et al. (2020) discovered that opportunity recognition has positive effect on sales growth. Moreover, Jun et al. (2021) and Hossain et al. (2022) established that entrepreneurial leadership has significant influence on SMEs growth. Makaya et al. (2021) indicated that proactiveness have positive impact on SMEs growth. Corroboratively, the study of Nguyen et al. (2021), Hartono and Ardini (2022) and Sawaeen et al. (2021) indicated that entrepreneurial leadership had a positive and significant effect on sales. Also, Mehmood et al. (2021) study found that entrepreneurial leadership had a positive and significant effect on team creativity, while entrepreneurial leadership and team creativity was significantly moderated by team psychological safety and knowledge sharing. Domi et al. (2020) indicated that proactiveness have positive influence on sales. Gonu et al. (2023) found that proactiveness have positive effect on SMEs growth. While Idawati and Sumartini (2020) study showed that opportunity recognition has positive effect on SMEs growth.

Theoretically, Fiedler's Contingency Leadership Style Theory and Human Capital Theory supports the study finding. Fiedler's Contingency Leadership Style Theory and Human Capital Theory (HCT) provide valuable insights into the relationship between entrepreneurial leadership components and SMEs sales growth. According to Fiedler's theory, effective leadership style depends on the situation, and in the context of SMEs, leaders who exhibit high levels of opportunity recognition, proactiveness, and risk-taking propensity are more likely to drive sales growth. Additionally, HCT emphasizes the importance of human capital, suggesting that leaders with a strong skillset and knowledge base can effectively utilize the entrepreneurial components to achieve positive outcomes in terms of sales growth for SMEs.

The synergy between Fiedler's Contingency Leadership Style Theory and Human Capital Theory underscores the importance of understanding both the situational context and the capabilities of individuals within SMEs. Effective leadership requires a nuanced understanding of how different leadership styles interact with situational factors and how investments in human capital can drive organizational success. By recognizing the significance of opportunity recognition, proactiveness, and risk-taking propensity within Fiedler's framework and acknowledging the pivotal role of human capital within HCT, the study's findings offer valuable insights into the mechanisms through which entrepreneurial leadership components positively influence SMEs' sales growth. This integrated approach provides a comprehensive understanding of the complex interplay between leadership, situational factors, and human capital in driving sales growth within SMEs, facilitating informed decision-making and strategic interventions aimed at fostering sustainable growth in supporting the finding of this study that entrepreneurial leadership components of opportunity recognition, proactiveness, and risk-taking propensity have significant effect on sales growth (Hughes et al., 1999; Yukl, 2002). Considering majority of the previous empirical findings and theoretical assertion, the researchers concluded that this study rejected the null hypothesis that entrepreneurial leadership components have no significant effect on sales growth.

Conclusion

The findings of this paper revealed that entrepreneurial leadership components (opportunity recognition, proactiveness, and risk-taking propensity) have a positive and significant effect on SMEs sales growth in South-West Nigeria. Thus, firstly, SME owners and managers should prioritize the cultivation of entrepreneurial leadership qualities within their organizations. This includes fostering a culture that encourages opportunity recognition, proactiveness, and risk-taking propensity among employees. By instilling these traits, SMEs can enhance their agility and responsiveness to market dynamics, enabling them to identify and capitalize on emerging opportunities while effectively managing risks. Furthermore, government agencies responsible for SME development and support should prioritize the provision of tailored resources and services that address the specific needs of SMEs in south-west Nigeria. This includes facilitating access to relevant information, market intelligence, and networking opportunities that can help SMEs capitalize on emerging opportunities and navigate challenges effectively. Moreover, policymakers should review regulatory frameworks and remove barriers that inhibit entrepreneurial activities within SMEs. Streamlining bureaucratic processes, reducing administrative burdens, and promoting a business environment conducive, to facilitate SMEs sales growth.

Furthermore, industry regulators like SMEDAN can collaborate with other stakeholders, including educational institutions, industry associations, and private sector partners, to create a supportive ecosystem for SME growth. This may involve establishing partnerships to provide SMEs with access to relevant resources, mentorship programs, and market intelligence to help them navigate challenges and capitalize on opportunities. By aligning regulatory efforts with the findings of studies on entrepreneurial leadership, SMEDAN can contribute to the resilience and competitiveness of SMEs in South-West Nigeria, driving

economic growth and job creation in the region through enhance sales growth. Therefore, based on these findings, it is recommended that SME owners and managers in South-West Nigeria prioritize the development of entrepreneurial leadership components, particularly opportunity recognition, proactiveness, and risk-taking propensity. Enhancing these attributes could lead to increased sales growth and overall SMEs' growth.

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