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Entrepreneurial Leadership and Business Performance of Selected Startups in Lagos State, Nigeria

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Abstract

The study examined entrepreneurial leadership and business performance of selected startups in Lagos State, Nigeria. Extant survey has examined the impact of entrepreneurial leadership on business performance using Dynamic Capabilities Theory and Entrepreneurial Leadership Theory which provide a detailed perspective on entrepreneurial leadership. The study used survey research design. Both quantitative and positivist approach were used. Primary data were gathered from 495 entrepreneurial owners/managers at four training centers in Lagos State with the aid of structured and adapted questionnaire. The validity test and reliability test yielded positive result as Extracted (AVE) value exceeded 0.5 and Cronbach's alpha result was between 0.751-0.889 respectively. Data were analysed using multiple linear regression. Findings revealed that entrepreneurial leadership components significantly affected business performance of selected startups in Lagos State, Nigeria (Adj. R^2 = 0.728, (df = 4,369) = 250,460, $p<0.05$). The study concluded that entrepreneurial leadership improved the performance business of selected startups in Lagos State, Nigeria. Thus, the study recommends that startup owners/managers should develop entrepreneurial leadership skills through training and provide necessary support and resources to enhance overall performance of startups businesses.

Keywords:
Business performance, Entrepreneurial leadership, Innovativeness, Opportunity recognition, Proactiveness, Risk taking, Startups

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Background to the Study

Business performance of startups in a dynamic and turbulent environment is of crucial importance to stakeholders in the ecosystem as they play major roles in market disruptions, creation of innovative products or services, serves as solution to unemployment problems, improvement of standard of living, revenue generation, business interdependency to mention but few. However, the rate of startup decline is alarming and is traceable to declining profitability, poor brand reputation, decline in sales growth, and low market share. On the other hand, entrepreneurial leadership is the aggregate of quality skills and behaviours displayed by a business leader that could startup enterprise. The system of interrelatedness and interconnectedness possed by entrepreneurial leadership can help to further understand startups business type. Entrepreneurial leadership can be beneficial to startups through the provision for innovativeness, risk-taking propensity, proactiveness, and opportunity recognition for performance of the business.

Startups play important roles in the development of world economy and its growth. Startups are characterized by their innovative business models, disruptive technologies, and rapid growth trajectories, requiring visionary leadership to navigate the uncertainties of the early stages of development (Okoye et al., 2024). According to Startup Genome (2019), from 2016 to 2018, the startup industry globally had an economic value of USD 2.8 trillion with a growth of 20.6%. Also, the valuation of startups with unicorn titles (startups worth more than one billion USD) as of January 2021 is cumulatively at 1.645 trillion USD (Triono et al., 2024). Calloway (2025) added that there are 150 million startups worldwide, with approximately 50 million new ones launching each year and 90% of startups failed. However, startups globally continue to face challenges of declining profitability as a result of the effects of the war in Ukraine where sanctions placed on Russia led to increase in prices of commodities, breakdown in the global supply chain that led to shortages and high costs of shipment, increased cost of input, and inflation across countries worldwide (Adeyemi, 2022). Joseph and Aruna (2025) opined that the cause of declining profitability also includes businesses running out of cash (29%), and no financing/investors interest (8%). Low market share was recorded as a result of products or services of no market need (42%), poor marketing (14%), and bad location (9%). Other devastating issues affecting businesses include declining sales growth traceable to natural disasters, geopolitical tensions, and trade disputes in terms of supply chain, and intensified competition from both domestic and international rivals (Raji et al., 2024).

United States has the largest number of startups, worth 84,624 (Calloway, 2025). Despite global uncertainty, one thing remains clear, the US startup ecosystem continue to lead, because it is the world's most dynamic hub for disruptive innovation, offering an open global internet and unmatched opportunities to scale. Regardless of these benefits, the business performance of startups in the US continue to face challenges as launching from scratch takes a lot of time, efforts, money, and risks (Krishma et al., 2016). The report from Harvard Business Review of July 2018 showed that eight of every ten startups die in their

first year (Krishma et al., 2016). The failures are due to several reasons such as declining profitability as a result of greedy investors (Krishma et al., 2016), limited financial resources (Addy et al., 2024) and insufficient fraud prevention measures (Ayanda et al., 2024). Another challenge is poor brand reputation due incompetent team, limited human capital and infrastructure (Ayanda et al., 2024). According to Joseph and Aruna (2025), 90% failure recorded were due to declining market share which resulted from startups eager to meet marketplace requirements to ensure their success whether from funding, growth, strategic collaboration or even burn out.

According to the European Association of Business Angels (EBAN), around 300 million founders currently have 150 million business world-wide. There are about 50 million new projects every year (137,000 per day). However, startups in the UK faced with challenges of low business performance as result of regulatory barriers, poor brand reputation due to financial risks, and regulatory uncertainties that affect the business environment and international business relationships which shows that market share drops at certain period (Singh et al., 2023). Additionally, the difficulties in raising finance, particularly in the early stages of startup development limits their growth and development, as well as, and managing cash flow are other key challenges facing startups in the UK (Green & Hogarth, 2017). The UK government in Great Britain according to HM Revenue & Customs (2019), found out that bank seemed to be reluctant to lend to new and fledging business people without relevant sector experience, which made set up difficult and also posed challenges to growth.

Germany, the powerhouse for innovation and entrepreneurship which creates a fertile ground for technology-driven solutions startups like SaaS, healthcare, and DeepTech who are not only attracting substantial investment but also redefining benchmarks for innovation (The 2024 Deutscher Startup Monitor) to thrive in the UK (Oliga, 2025), have also recorded failure as result of challenges of the ongoing war in Ukraine resulting to the global crisis and struggle for dwindling resources (Althammer et al., 2022). Additionally, Kosovo, the youngest country in Europe have also acknowledged higher rate of failure among startups than among established firms (Sopjani, 2019). According to Sopjani (2019), sales growth drops as a result of not generating more sales and employing more workers due to limited business knowledge and experience, poor management style, underdeveloped human resources practices, unfavorable disposition to learning, overall "me-too" business model and many more. As well, a small and limited market negatively impacts the overall demand (Sopjani, 2019). Declining profitability was also noted during pre-startups activities due to lack of initial capital, lack of pre-startup training, getting bank loan and corruption, while problems during ongoing business activities include high bank interest rates and lack of cash (Tullumi, 2013). Tullumi (2013) also noted poor brand reputation at a certain time due to unfair competition and incorrect competition.

In Asia, Indonesia has become a location of choice for the incorporation of starups operation due to financial stability, a pro-business approach, and tax policies (Eli, 2025).

Despite these benefits, some challenges are still evident, like declining profitability which was recorded due to high real estate prices which made it harder to attract foreign talent (Eli, 2025). Similarly, high failure rate remains a pressing concern in India despite the fact that startups play a pivotal role in driving economic growth, innovation, and job creation (Sindhuga et al., 2024). According to Indian National Association of Entrepreneurs (INAE), the challenge of declining profitability is not farfetched among startups due to not having enough capital or burning through funds too quickly, insufficient funding or mismanagement of funds including poor budgeting, high operational costs, and lack of financial planning resulting in unsustainable growth or inability to cover operational costs which emerged as a leading internal challenge. Additionally, Angadi & Patil (2021) noted declining market share as a result of failure of marketing and promotions.

In African continent, startups companies in countries around this continent are not left out from the challenges faced by their contemporary countries in the other part of the world. According to United Nations Industrial Development Organisation (UNIDO), small businesses account for more than 89% of privately-owned companies and accounted for over 50% of the workforce and gross domestic product (GDP) in most African nations (Eze & Lose, 2023). Despite the contribution of startups in economic development in the area of job creation, alleviation of poverty, contribution to GDP, it faces high rate of business decline. In Ghana, startups have recorded decline profitability as result of non-availability of funding, also, poor brand reputation due to lack of planning and proper management skills (Opoku et al., 2019). Inclusively, Bailey (2020) showed that decline in business performance of startups resulted to highest shutdown rate among the top ten countries in Africa, they include; Ethiopia (75%), Rwanda (75%), Ghana (73.91%), The Democratic Republic of the Congo (66.7%), Tanzania (62.50%), Nigeria (61.05%), Senegal (58.3%), Somalia (60.0%), and Kenya (58.7%).

In South Africa, according to Jili et al. (2017), 91% of officially recognized businesses are small businesses, and these businesses represent between 52% and 57% of GDP and approximately 61% of jobs. However, many small enterprises in South Africa collapse within the first year of operation, with mortality rate as high as 59% (Hung et al. 2016). Eze and Lose (2023) also added that nearly 75% small enterprise failed to grow into reputable businesses. However, declining profitability is one of the challenges South African small business faced due to lack of capital (Eze & Lose, 2023), non-availability of capital (Mohammed & Nzelibe, 2014) and strict restriction imposed when applying for loan by financial institution in impeding small business enterprises' access to finance (Ndege & Van der, 2015). Additionally, startups have recorded decline sales growth in South Africa as a result of challenges related to managerial incapability. More so, poor brand reputation was also experienced due to debilitated infrastructures, high level of corruption and crimes (Eze & Lose, 2023).

In Nigeria, the entrepreneurial landscape is undergoing transformation, primarily driven by the emergence of startups (Odunayo & Fagbile, 2023). Startup Country Guide (2024) according to the African Tech Startup Funding Report by Disruptive Africa, assert that

Nigerian's startup ecosystem has emerged as a beacon of innovation, securing 30.5% of Africa total funded ventures and 16.6% of the continent total investment in 2023. From the report, Nigerian startups raised $399.91 million in 2023, which continued with significant attraction from investors by maintaining a strong position in the African startups landscape, and the ecosystem has grown significantly with startups making substantial strides in various sectors including fintech, agriculture, health, education and energy. According to World Bank (2020), Nigeria is ranked 131 in the world's ease of doing business. Additionally, Bailey (2020) shows that Nigerian has become hubs of startup creation, where in 2019, Nigeria ranked in $663.24 million worth of startup investments. In the retrospect, the report of Punch Newspaper recorded that startups failure in Nigeria is approximately 61% - the highest among Africa major tech ecosystem. This position Nigeria at the apex among the three prominent tech ecosystems and investment hub in Africa. The data indicated that only 39% of startups in Nigeria manage to endure beyond initial year of operation.

Nigerian startups are confronted with a lot of challenges like declining profitability as a result of insufficient capital, difficulty in accessing loans from banks, multiple taxations, lack of managerial insight, crippling inflation, the rising of cost of funds, and difficulty in sourcing foreign exchange (Bamkole & Aladejobi, 2023). Additionally, Oburo (2021) listed barriers to access capital and credit as one of the challenges of startups in Nigeria. According to Bailey (2020), startups have recorded poor brand reputation as a result of poor visibility. More so, businesses in Nigeria face intense competition (FSDH Merchant Bank, 2025), poor marketing skill (Bamkole & Aladejobi, 2023), making customer acquisition and retention a major challenge, invariably, companies that fail to innovate risk losing market share (FSDH Merchant Bank, 2025). Market competition in a very competitive space is critical, so, Nigerian startups find it difficult to stand out among others (riba-x, 2025), resulting to low market share. Decline in sales growth among Nigerian startups is as a result of poor marketing strategy, inability to identify the right consumers and their inability to conduct research in the market that they are operating (Bailey, 2020). Bamikole and Aladejobi (2023) also outlined limited domestic market as one of the challenges resulting to low market share. This further exacerbates the firm's revenue decline and hinders its long-term growth prospects resulting to declining profitability.

Entrepreneurial leadership is relatively an emergent paradigm that has been applied to overcome the ever-challenging and dynamic nature of current business organisations. This type of leadership has received attraction of both scholars and practioners due to its importance in improving competitiveness, success, and growth of all types of businesses (Bagheri et al., 2020; Bagheri & Harrison, 2020; Cai et al., 2018; Clark et al., 2019). From the studies of Joel and Oguanobi (2024), entrepreneurial leadership was found to foster a culture of innovation and agility which enables startups to stay ahead of the curve and capitalize on emerging opportunities. Additionally, Okoye et al. (2024) added that entrepreneurial leadership is particularly crucial in the context of startups due to the unique challenges and opportunities they face. Meanwhile, startups are characterized by

their innovative business models, disruptive technologies, and rapid growth tracjetories that require visionary leadership to toggle the uncertainties of the early stage of their development cycle (Okoye et al., 2024). In addressing the challenges related to startups' performance stated above, this study focused on examining the effect of entrepreneurial leadership on business performance of startups in Lagos State, Nigeria.

Review of Literature

This section deals with the conceptual, empirical and theoretical review of both dependent and independent variables used in the study.

Business Performance

Business performance is defined as the enterprise's ability to meet the desire result as determined by the company's major shareholders (Nwakwo & Ezeibe, 2021). Business performance is a set of performance management and analytical processes that enables the management of an organization's performance to achieve one or more pre-selected goals (Yusuf et al., 2024). Business performance is the result of work that can be achieved in quality and quantity by an employee in carrying out tasks in accordance with the responsibilities given to them (Hansen & Ida, 2021). According to Binuyo et al. (2019), the measurement of business performance has captured the attention of many scholars due to its complexity. Michael et al. (2018) states that several metrics can be used to measure the performance index of an organization, prominent among such metrics are financial and non-financial indicators (Seo & Lee, 2019). Messsikh (2022) add that the most frequent approaches to assessing business performance in terms of growth have been income, employment, competitive advantage, and profitability. For startups or businesses at the early stage, mainly financial performance is, to some degree more critical compared to non-financial performance (Nguyen et al., 2021; Choi et al., 2018; Spender et al., 2017)). Meanwhile, it is the most essential to control and combine the two type of performance for startup development (Seo & Lee, 2019).

According to Al Qudah et al (2014), business performance comprises three areas of company outcomes namely, financial performance (return on assets (ROA), return on investment (ROI), return-on-equity (ROE), and profitability), product market performance (sales growth and market share), and shareholder return. Several researchers relate business performance with financial performance, which involves budgets, assets, operations, products, services, and markets (Thurbin, 1994; Smith, 1999; Subramaniam et al., 2011; Dixon, 1991). Likewise, some researchers identify several non-financial outputs that contribute to business performance, namely, management quality (De Waal & Frijns, 2011), long-term orientation (Steiss, 2003; Guest, 1997), continuous improvement (Arsad, 2012), workforce quality (Storey, 1989), openness, and action orientation.

Moreso, Nguyen et al. (2021) describes financial performance as performance that is measured in monetary value and financial operations, while non-finance performance is the type of performance that cannot be measured in money value, and they include,

brand reputation, customer satisfaction, business performance, and innovation activities. Notably, financially performance is associated with the short-term survival of companies, whereas non-financial performance is more likely deals with long-term sustainable growth. Inclusively, in regards to the above, business performance of this study is measured as profitability, brand reputation, sales growth and market share. In view of this review, the researcher defines business performance as the outcome of result achieved in evaluating the activities of an enterprise using combination of different measurement metrics in determining the achievement in terms of success or failure for the benefits of its stakeholders.

Entrepreneurial Leadership

Entrepreneurial leadership (EL) is defined as the process of influencing organisations through leading and direct involvement in creating value for stakeholders by bringing together a unique innovation and package of resources to respond to a recognized opportunity (Fontana & Musa, 2017). EL is a person who can restructure their organization that enables them to seize new opportunities and improve the ability to invent ways wherein they can compete in a highly unpredictable environment (Huang et al., 2014). EL is a leadership style that can delegate, build employees who behave responsibly, make and determine decisions, and work independtly (Ebose et al., 2022; Mamun et al., 2018). Additionally, Vecchio (2003) stated that EL is a style of leadership that takes place in emerging and established organisations in an entrepreneurial atmosphere. According to Joel and Ogunailo (2024), entrepreneurial leadership involves the ability to identify and capitalize on opportunities, drive innovation, inspire and motivate teams, and take calculated risks to achieve organizational goals. Nausha (2021) defined EL as guiding young entrepreneurs to achieve goals and objectives while taking advantage of entrepreneurial opportunities for themselves.

The characteristics of entrepreneurial leadership include having clear vision, communication skills, self-confidence, and creating atmosphere conducive to growth; they do not just invest significantly in learning and updating their knowledge, but they also create a learning environment in the organization that encourages others to increase their knowledge, broaden their experience, and overcome various challenges (Madanchian & Taherdoost, 2019). Similarly, the characteristics of entrepreneurial leadership are described as follow; having the aptitude to visualize for the firm future success, forward-thinking, ability to acknowledge opportunities, ability to inspire and influence their team members in implemting progressive entrepreneurial actions (Sawaen & Ali, 2020). Inclusively, entrepreneurial leaders are visionary individuals who are not afraid to challenge the status quo, they think outside the box and exhibit a high degree of passion, creativity, and resilience, fueling their drive to pursue ambitious goals and overcome obstacles along the way (Joel & Ogunaobi, 2024; Udegbe et al., 2024). Udegbe et al. (2024) stated that entrepreneurial leader is not confined to a single individual within an organization but entrepreneurial leadership characteristics can be cultivated and foster throughout the entire workforce. This involves empowering employees to think and act entrepreneurially, encouraging a culture of innovation, experimentation, and continuous learning.

Entrepreneurial leadership plays a significant role in determining the success of business venture (Lubis, 2017). It creates a climate of entrepreneurial behaviour expected to bring the organisation towards success (Zainol et al., 2018). EL 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). Gupta et al. (2004) stated that entrepreneurial leaders possess a unique set of traits and characteristics that distinguish them from traditional goals. EL has three general factors: proactivity, innovation, and the ability to take risks (Chen, 2007; Gupta, 2004). Additionally, Renko et al. (2015) state that leadership as an entrepreneurial behavior, is important due to its potential in recognizing one's value in the entrepreneurial process; thus, it is considered vital in a variety of organizational sustainability-related aspects, such as fostering innovation and adapting to changing environments. From the review above, the researcher defines entrepreneurial leadership as the type of characteristics and role displayed by startup owners/managers in effectively and efficiently running the activities of the business enterprise that positively affects its performance.

Entrepreneurial Leadership and Business Performance

The effect of entrepreneurial leadership and business performance is vast studied as evident by various scholars that offer different perspectives on the matter (Miidom et al., 2021; Tsetim et al., 2020; Rahim et al., 2015; Megawatty et al., 2022; Bagher et al., 2013; Bagheri et al., 2020; Zainol et al., 2018; Samundra, 2019;Ensley et al., 2006; Yusuf et al., 2024; Nguyen et al., 2021; Fotana & Musa, 2016; Sawaean et al., 2021; Ishak et al., 2021; Mashael et al., 2022; Mesfin et al., 2022; Harrison et al., 2019). In the studies of Tsetim et al. (2020), the result of the correlation analyses reveals that there is significant relationship between all the constructs of entrepreneurial leadership (miner behaviour, explorer behaviour, accelerator behaviour, and integrator behaviour) and performance of SMEs. The result of regression analysis shows that miner behaviour, explorer behaviour, accelerator behaviour, and integrator behaviour jointly contribute to observed change in SMEs performance. The study concluded that entrepreneurial leadership behaviour of owners/managers of SMEs significantly affects the performance of such SMEs. Miidom et al. (2021) studied entrepreneurial leadership and organizational sustainability in manufacturing company in Nigeria using social justice perspective. The findings indicated that entrepreneurial leadership has a significant effect on organizational sustainability from a social justice perspective in the manufacturing in Nigeria.

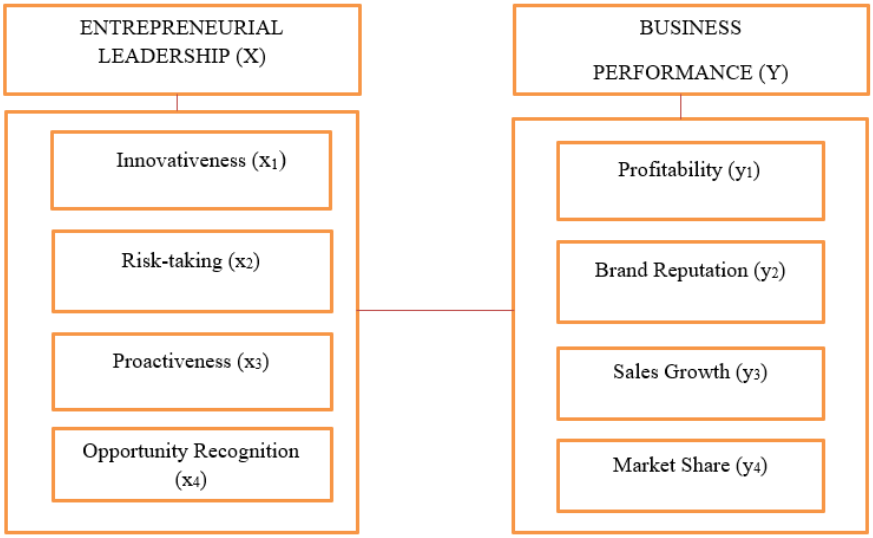
Furthermore, in a study on the effect of entrepreneurial leadership towards organizational performance, Rahim et al. (2015) found out that entrepreneurial leadership has positive effect towards organisational performance. Similarly, Zainol, et al. (2018) studied a link between entrepreneurial leadership and SMEs performance: An integrated review. The study revealed that vision and innovation which are the major characteristics of EL are the most significant towards the good performance of SMEs organisations. More so, Samundra (2019) study findings showed the beneficial and significant impact of entrepreneurial leadership and innovation management on SMEs organizational performance. The relationship between entrepreneurial leadership and

SMEs' organisational performance is fundamentally mediated by innovation management and moderated by learning orientation. Also, the study conducted by Okoronkwo (2021) revealed that there was a significant relationship between entrepreneurial leadership and employee innovative behaviour in selected manufacturing SMEs in Lagos State. However, the empirical results of Nguyen et al. (2021) reveal that entrepreneurial leadership via the full mediators of team creativity, dynamic capabilities, and competitive advantages can enhance the performance of IT SMEs. While entrepreneurial orientation does not influence SMEs' business performance, technological innovation capabilities can provide some benefits. Besides, entrepreneurial orientation plays no mediation role in the relationship between entrepreneurial leadership and SMEs' performance.

Research Conceptual Model

The conceptual model for this study is diagrammatically shown in Figure 1 below:

Figure 1: Entrepreneurial Leadership and Business Performance Components



Source: Researchers' Model, 2026

The conceptual model represents the independent and dependent variables used in this study. The independent variable is entrepreneurial leadership and is represented by X, while the sub-variables include; innovativeness, risk taking, proactiveness, and opportunity recognition, and they are represented by x_1, x_2, x_3, and x_4 respectively. The dependent variable is business performance and is denoted by Y. Its sub-variables include profitability, brand reputation, sales growth, and market share, and are represented by y_1, y_2, y_3, and y_4 respectively.

Theoretical Review

The underpinning theories for this study are dynamic capability theory and the theory of entrepreneurship innovation. The dynamic capabilities theory explains how crucial is it

for entrepreneurial leaders to understand their roles in fulfilling the great expectation of the performance of their business enterprises. When startup owner or manager understand the interplay of their skills, innovation and other resources in the firm in achieving outstanding performance, then, effective management of various capabilities and resources in the firm will yield ultimate result.

Dynamic Capabilities Theory

Dynamic Capabilities Theory (DCT) is primarily associated with David Teece, who, along with his co-authors Gray Pisano and Amy Shuen, articulated the foundational concepts of the theory in their influential paper titled "Dynamic Capabilities and Strategic Management" published in 1977. In this work, they introduced the idea that firms need to develop dynamic capabilities to adapt to rapidly changing environment and to sustain competitive advantage. David Teece is often credited as the leading figure in the development and popularization of Dynamic Capabilities Theory (Ilemobayo, 2025).

The theory was propounded by Teece, Pisano, and Shuen in 1977. The theory observed the way firms achieved sustained competitiveness or higher performance in the changing and volatile environment. This theory takes up entrepreneurship, innovation, organizational learning, knowledge, and change management (Teece, 2010). Dynamic capability simply refers to the capability of firms which enables it to come up with innovative products and processes that meet changing market conditions (Teece & Pisano, 1997). There are various examples of dynamic capabilities that can be used to promote value within a firm. These are skills, procedures, and organizational structures. These capabilities can come from the changing routines, product development which aids the firm to position its resources and competencies in the dynamic business environment (Teece, 2007).

Supporters of dynamic capabilities theory (DC) like Foss and Saebi (2017) investigated the relationship between dynamic capabilities and innovation. Supporting this theory in their study, they argued that dynamic capabilities enable organisations to recognize and exploit new opportunities, adapt to changing business environments, and create more values by innovation. They emphasized the need for organisations to align their resources, procedures and structures together so as to foster dynamic capabilities for successful innovation. More so, Eisenhardt and Martin (2000) earlier emphasize that dynamic capabilities are essential for firms to thrive in turbulent markets, allowing them to sense opportunities, seize them, and maintain their competitive position.

In spite of the critic, dynamic capabilities theory is highly relevant in enhancing the performance due to its focus on flexibility, adaptability, and learning capabilities (Apka et al., 2021). The SMEs operating in today's fast-growing technology changes, competition and ever-changing customer demands is critical for super performance (Teece, 2018). Since startups operate in the same environment with SMEs, this is applicable as well. Dynamic capabilities are form of knowledge that are to create value for

companies both with the results of innovation and transformation of inputs into outputs in order to obtain sustainable competition (Eisenhardt & Martin, 2000). Dynamic capabilities are the capabilities of enterprises that add rapidly and configure internal and external competencies so as to address rapidly changing environments (Akpa et al., 2021). Furthermore, Zahra et al. (2006) add that dynamic capability's theoretical and practical importance are good in explaining competitive advantage in different market environments has led to broad interest in the approach. Moreover, Di Stefano et al. (2010) argue that the variation in dynamic capability's research had led it to be a very vibrant field with an enormous scope.

Dynamic capabilities theory allows the startup entrepreneurs to explore their skills and resources together with the organizational structure to achieve competitive advantage in the marketplace. This implies that, the exploration of skills like innovativeness as an entrepreneurial leader in creating new product from the existing one or new product entirely can actually result to increase in profitability of such startup venture (Akpa et al., 2023). Also, for startup entrepreneurs to take calculated risk in exploring the resources of the firm to build a brand reputation can result to taking advantage in a competitiveness market. In addition, the researcher understanding of this theory shows that when the startup owners or managers have quality organizational structure in place, taking proactive moves after some strategic decisions about the organization will increase the sales growth of the business. More so, by considering other advantages of this theory like flexibility, adaptability, and learning, the startup entrepreneurial leaders will learn to adapt, recognise opportunities in a turbulent and dynamic environment of Lagos State, Nigeria and acclaim a huge share of the market where they operate.

Dynamic capability theory is relevant to this study because the theory states that when firm exist in a rapidly changing environment, the entrepreneur can quickly explore the internal and external resources to innovate, take a first-mover step, recognize opportunity to invent new things, products and services to stimulate productivity and job creation, thereby increasing the business performance by mitigating the issues of profitability, brand reputation, sales growth, and market share. The dynamic capacity theory is all encompassing since all resources and capabilities of the firm are combined to achieve success and growth of the firm. This implies that for startup owners or managers to achieve great performance there must be effective combination of entrepreneurial skills, procedure, and organizational structure.

Entrepreneurship Innovation Theory

The theory of entrepreneurship innovation was propounded by Joseph Schumpeter (1949). According to Schumpeter (1943), entrepreneurship is about combing resources in new ways such as introduction of new products, with better attractions, new methods of production, discovery of new market(s), identification of new source(s) of supply of raw materials and alteration of existing market arrangements through innovation that brings about radical changes in the market. Additionally, Schumpeter (1934) said "innovation is the major force behind entrepreneurship". Schumpeter argues that every growth-

oriented venture is a function of innovation and that, without innovation, the theory of entrepreneurship does not exist. According to Śledzik (2013), in the theory of economic development and further work, Schumpeter (1943) described development as historical process of structural changes, substantially driven by innovation which was divided by him into five types: launch of a new product or new species of already known product; application of new methods of production or sales of a product (not yet proven in the industry); opening of a new market (the market for which a branch of the industry was not yet represented); acquiring of new sources of supply of raw material or semi-finished goods; new industry structure such as the creation or destruction of a monopoly position.

Schumpeter argued that anyone seeking profits must innovate. That will cause the different employment of economic system's existing supplies of productive means. Schumpeter believed that innovation is considered as an essential driver of competitiveness (Porter & Stern, 1999) and economic dynamics (Hanush & Pyka, 2007). He also believed that innovation is the center of economic change causing gales of "creative destruction", which a term is created by Schumpeter in Capitalism, Socialism, and Democracy (Schumpeter, 1942). According to Schumpeter innovation is a "process of industrial mutation that incessantly revolutionizes the economic structure from within, inconsonantly destroying the old one, incessantly creating a new one".

Shumpeter described development as historical process of structural changes, substantially driven by innovation (Schumpeter, 1912); (Schumpeter, 1939); (Schumpeter, 1943). Innovation process was divided into four dimensions: invention, innovation, diffusion, and imitation (Burton-Jones, 1999). More so, dynamic entrepreneur is put in the middle of the analysis (Schumpeter, 1912). In Schumpeter's theory, the possibility and activity of the entreprneurs, drawing upon the discoveries of scientists and inventors, create completely new opportunities for investment, growth and employment. Likewise, in Schumpeter's analysis, the invention phase or the basic innovation has less of an impact, while the diffusion and imitation process have much greater influence on the state of an economy.

To buttress the point, Schumpeter (1934) says: In part, it (bourgeois society) appeals to, and in part it creates, a schema of motives that is unsurpassed in simplicity and force. The promises of wealth and the threats of destruction that it holds out, redeems, with ruthless promptitude, wherever the bourgeois's way of life asserts itself sufficiently to dim the beacons of other social worlds. These promises are strong enough to attract the large majority of such normal brains and to attract the large majority of supernormal brains and to identify success with business. Schumpeter states further that fundamental impulses that sets and keeps the capitalist engine in motion comes from new consumer goods, new methods of production or transportation. "The new markets, the new forms of industrial organization that the capitalist enterprise creates – innovation – is what entreprneurship is all about" (Schumpeter, 1987). Schumpeter also sees entreprneurship as a fundamental factor in the economic development process and contends that an entrepreneur is an innovator, who is different from a bureaucratic executive of an organization that merely

runs an establishment. He argues further, "An entrepreneur must not necessarily be a development planner or an inventor but should be able to manupuate a specific enterprise that is already in existence, create and carve new things out of its form" (Schumpeter, 1943).

In support of Schumpeter's theory, Baumol (1993) draws a distinction between an organizing and an innovating entrepreneur. According to him, "an organizing entrepreneur creates, organizes and operates a new business firm while an innovating entrepreneur transforms ideas into economically viable entities." Drucker (1985), also supporting Schumpeter's theory of entrepreneurship, states that the entrepreneur must not only be innovative but should be creative. He views creativity as an important force behind entrepreneurship.

The theory was critiqued due to its apparent bias and overemphasis on inventive functions. Innovation theory disregards the purpose of taking risks, and Schumpeter's theories are specially to developing nations where innovation needs to be promoted. The individual approach, with its single-cause logic, insensitivity to temporal dynamics, and failure to account for contextual factors, and the situational approach, with its emphasis on adaptation and ensuing failure to account for human agency, are among the other ways in which Schumpeter's theory has been criticized for failing to account for entrepreneurial action on micro level (Agoha et al., 2024). According to Shane and Venkataraman (2001), entrepreneurship is about looking for possibilities and/or methods that find and create opportunities. Drucker (1999) claimed that despite the huge interest in the subject of entrepreneurship since inception, a definition of entrepreneurship is hard to pin down because of the different description used by a multitude of authors.

Methodology

The study adopted positivist approach, quantitative research approach, and survey research design, while the research context focused on startups. The population of the study consisted of 32,229 owners/managers of the selected startups in Lagos State, Nigeria. The four training centres were selected because they represent the startups with the composition of owners/managers required for the study, adopting a structured adapted questionnaire admonostered randomly. A response rate of 75.6% was achieved. The result of the data valididty was confirmed at AVE > 0.5. Cronbach's alpha values ranged from 0.70 to 0.91, confirmed the reliability of the research instrument. The principal factors investigated were measured on six-point scale with anchors which ranged from Strongly Agree (SA-6), Partiall Agree (PA-5), Agree (A-4), Disagree (D-3), Partially Disagree (PD-2), and Strongly Disagree (SD-1), for the independent variables and dependent variables respectively. To test the hypotheses, a multiple regression method was employed to examine the effect of entrepreneurial leadership on business performance. The regression results were statistically analysed to access any significance change in R-squared. The detailed results of the analyses are presented in Table 1, providing the insight into the effect of entrepreneurial leadership on business performance.

Model Specification

Operationalization of Research Variables

$Y = f(X)$

Where;

Y = Dependent Variable (Business Performance)

$Y = (y_1, y_2, y_3, y_4)$

y_1 = Profitability (PF)

y_2 = Brand Reputation (BR)

y_3 = Sales Growth (SG)

y_4 = Market Share (MS)

And, X = Independent Variable (Entrepreneurial Leadership)

$X = (x_1, x_2, x_3, x_4)$

x_1 = Innovativeness (IV)

x_2 = Risk Taking (RT)

x_3 = Proactiveness (PR)

x_4 = Opportunity Recognition (OR)

Therefore:

$Y = f(X)$

$y = f(x_1)$ …….. Equation 1

$y = f(x_2)$ …….. ……Equation 2

$y = f(x_3)$ ……... ……Equation 3

$y = f(x_4)$ …….. ……Equation 4

Regression Model

The equations of the study based on the research hypotheses are as follows:

$PF = \alpha_0 + \beta_1 IV + \mu$……..…… Equation 1

$BR = \alpha_0 + \beta_2 RT + \mu_i$…….……... Equation 2

$SG = \alpha_0 + \beta_3 PR + \mu_i$…..…….…….. Equation 3

$MS = \alpha_0 + \beta_4 OR + \mu$……..... Equation 4

$BP = \alpha_0 + \beta_1 IV + \beta_2 RT + \beta_3 PR + \beta_4 OR + \beta_5 EL$…Equation 5

Table 1: Summary of Multiple Regression Analysis for Hypothesis

N	*Model*	*B*	*Sig.*	*T*	*ANOVA (Sig.)*	*R*	*Adj. R^2*	*F (4,369)*
374	(Constant)	17.798	.000	6.244	0.000[b]	0.855[a]	0.728	250.460
	Innovativeness	.338	.006	2.772				
	Risk taking	.627	.000	4.689				
	Proactiveness	.940	.000	5.919				
	Opportunity Recognition	1.399	.000	9.874				
	Predictors: (Constant), Innovativeness, Risk taking, Proactiveness, Opportunity Recognition.							
	Dependent Variable: Business Performance							

Table 1 shows the multiple regression analysis results for entrepreneurial leadership on business performance of selected start-ups in Lagos, Nigeria. The results showed that innovativeness ($\beta = 0.338$, $t = 2.772$, $p<0.05$), risk taking ($\beta = 0.627$, $t = 4.689$, $p<0.05$) proactiveness ($\beta = 0.940$, $t = 5.919$, $p<0.05$), and opportunity recognition ($\beta = 1.399$, $t = 9.874$, $p<0.05$), all have positive and significant effect on business performance in the selected start-ups in Lagos State, Nigeria. This implies that innovativeness, risk taking, proactiveness and opportunity recognition improves the business performance of start-ups firms in Lagos State, Nigeria.

The R value of 0.855 supports this result and it indicated that entrepreneurial leadership component has a strong and positive relationship with business performance of selected start-ups in Lagos State, Nigeria. The coefficient of multiple determination Adj $R^2 = 0.728$ indicated that about 72.8% variation that occurs in the selected start-ups can be accounted for by the components of entrepreneurial leadership while the remaining 27.2% changes that occurs is accounted for by other variables not captured in the model. The predictive and prescriptive multiple regression models are thus expressed:

$BP = 17.798 + 0.338INN + 0.627RT + 0.940PR + 1.399OR + U_i$---Eqn(i) (Predictive Model)
$BP = 17.798 + 0.338INN + 0.627RT + 0.940PR + 1.399OR + U_i$------Eqn(ii) (Prescriptive Model)

Where:

BP = Business Performance
INN = Innovativeness
RT = Risk Taking
PR = Proactiveness
OR = Opportunity Recognition

The regression model shows that holding entrepreneurial leadership variables to a constant zero, business performance would be 17.798 which is positive. In the predictive model it is seen that all of the variables were positive and significant so selected start-ups in Lagos State, hence, it was also included in the prescriptive model. The results of the multiple regression analysis as seen in the prescriptive model indicated that when entrepreneurial leadership variables (innovativeness, risk-taking, proactiveness and opportunity recognition) are improved by one unit, business performance would also increase by 0.388, 0.627, 0.940 and 1.399 respectively and vice-versa. This implies that an increase in innovativeness, risk taking, proactiveness and opportunity recognition would lead to an increase in the rate of business performance of selected start-ups in Lagos State, Nigeria. Also, the F-statistics (df = 4, 369) = 250.460 at p = 0.000 ($p<0.05$) indicated that the overall model is significant in predicting the effect of entrepreneurial leadership on business performance which implies that entrepreneurial leadership variables are important determinants in business performance of selected start-ups in Lagos State, Nigeria. The result suggests that such business performance should pay attention towards developing all the variables of entrepreneurial leadership. Therefore, the null hypothesis ($H_0$5) which states that entrepreneurial leadership has no significant effect on business performance of selected start-ups in Lagos State, Nigeria was rejected.

Discussion of Findings

The test of hypothesis five revealed that entrepreneurial leadership has no effect on business performance of selected startups in Lagos State, Nigeria. This has conceptual, empirical, and theoretical implications. Conceptually, the explanation and clarification of study terms provides good conceptual perspectives on the study from the conceptual position. Entrepreneurial leadership is a separate type of leadership behaviour that is extremely effective in a demanding and changing business environment (Bagheri & Pihie, 2011; Gupta et al., 2004; Harrison et al., 2018). Consequently, Cogliser and Brigham (2004) affirm that entrepreneurial leadership is a multifaceted concept that combines the visionary qualities of entrepreneurship with the strategic leadership skills necessary to navigate the complexities of business management.

Empirically, the result of this study aligns with the study of Tsetim et al. (2020) in which the regression analysis showed that miner behaviour, explorer behaviour, accelerator behaviour, and integrator behaviour jointly contribute to observed changes in SMEs performance. The study concluded that entrepreneurial leadership behaviour of owners/managers of SMEs significantly affects the performance of SMEs. Additionally, the studies of Rahim et al. (2015) found that entrepreneurial leadership has a positive effect towards organisational performance. Also, Miidom et al. (2021) studied entrepreneurial leadership and organizational sustainability in manufacturing company in Nigeria using social justice perspective. The findings indicated that entrepreneurial leadership has a significant effect on organizational sustainability from a social justice perspective in the manufacturing in Nigeria.

Furthermore, in a study on the effect of entrepreneurial leadership towards organizational performance, Rahim et al. (2015) found that entrepreneurial leadership has positive effect towards organisational performance. Also, the study conducted by Okoronkwo (2021) revealed that there was a significant relationship between entrepreneurial leadership and employee innovative behaviour in selected manufacturing SMEs in Lagos State. However, the empirical results of Nguyen et al. (2021) reveal that entrepreneurial leadership via the full mediators of team creativity, dynamic capabilities, and competitive advantages can enhance the performance of IT SMEs. While entrepreneurial orientation does not influence SMEs' business performance, technological innovation capabilities can provide some benefits. Besides, entrepreneurial orientation plays no mediation role in the relationship between entrepreneurial leadership and SMEs' performance.

Conclusion

The study concluded that entrepreneurial leadership plays a crucial role in the business performance of selected startups in Lagos State. Enhancing factors like innovativeness, risk-taking propensity, proactiveness, and opportunity recognition ability can significantly affect the overall performance of the business organisation. Focusing on this behaviour is keys in running successful startup businesses with huge success and high performance.

Implication of Study

The findings from this study have some practical relevance to entrepreneurship ecosystem in their various categories. The outcome of this study is beneficial to academia, entrepreneurship teachers/educators/facilitators, government/policy makers, entrepreneurial owners/managers, and industry experts because findings of this study has pinpoint key areas to focus on in relation to performance of startup businesses and the role entrepreneurial leadership plays.

Recommendations

The findings of this study indicate that entrepreneurial leadership significantly affects business performance in selected startups in Lagos State, Nigeria. Based on these findings, the following recommendations are made as follows:

1. Business owners/managers should foster innovativeness by introducing new methods of providing services or producing goods in the firm and ensure significant changes by introducing new technology to their mode of operation.
2. Business owner/managers should invest high capital for firm growth, have strong inclination for high risk project to make high returns, adopt a bold aggressive posture when necessary in decision making situations, as well as, adopt a bold posture in exploring potential opportunities.
3. Business owners/managers should seek to be proactive by taking advantage of opportunities to develop new products/services, implement changes to existing strategy before others by taking a first-mover leap as competitive advantage. Furthermore, creating new market by the firm in the business environment

should be considered a proactive step.

4. Startups owners/managers should interact with customers to help the firm formulate new business ideas, seek opportunities in the operational deficiencies of competitors to modify their operational processes, leverage innovation to create new ideas to meet customers' needs, and discover potential opportunity to create new technology.
5. It is recommended that startup owners/managers should develop entrepreneurial leadership characteristics through training and experience and provide necessary support and resources to run their business enterprises. Also, **s**tartup owners/managers should align leadership style with organisational strategy and goals.

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