



Evaluation of the Relationship Between Entrepreneurial Orientation and Cultural Values on Performance of Small and Medium-sized Enterprises in Southwest Nigeria

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ABSTRACT

This study gave an evaluation of the relationship between entrepreneurial orientation and cultural values on performance of small and medium-sized enterprises (SMEs) in southwest Nigeria. Primary method of data collection was used. Data were collected through the use of structured questionnaire administered randomly on carefully selected sample of 400 owners, managers/supervisors of SMEs who have been in existence for a period of a minimum of five years and above through multi-stage sampling technique. Structural equation modelling (SEM) was used to examine the relationship between entrepreneurial orientation and cultural values on the performance of SMEs in southwest Nigeria. The result indicates that both entrepreneurial orientation and cultural values are strongly related with high level of relationship. This study concluded that managers need to leverage the dimensions of both entrepreneurial orientation such as innovativeness, proactiveness, and risk taking as well as the dimensions of cultural values such as individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance to achieve optimal business performance.

Keywords: Entrepreneurial orientation, small and medium-sized enterprises, performance, dimensions. cultural values

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1. INTRODUCTION

The important roles played by small and medium-sized enterprises in Nigeria have continued to gain attention from both government and individual citizens. These importance include provision of basic raw materials to the larger firms, generation of employment opportunities, boosting of gross domestic product (GDP) and so on.



This has made the government at all levels bring up and launched numerous initiatives in recent years to boost this sector (i.e. SMEs), including the establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003, the implementation of the National Enterprise Development Program (NEDEP) on February 12, 2014, and the establishment of the Micro, Small, and Medium Enterprises (MSMEs) national and regional development councils. Also going forward, in further consideration of the significant impacts of this industry to the economy of the country, Nigeria's Federal Government has also created a variety of strategies and initiatives to encourage the sector's development through the majority of its economic development plans and policies, with the goal of encouraging its continued expansion in order to achieve national objectives over time. Institutions like the Directorate of Food, Road, and Rural Infrastructure (DFRRI), the National Directorate of Employment (NDE), the National Poverty Eradication Program (NAPEP), and a few of others have been created as a result of such efforts (Aremu & Adeyemi, 2011).

All these were done with the ultimate goal of improving performance in the sector. Other actions, such as yearly budgetary allocations, advantageous policies, favourable pronouncements of incentives and rules, and the provision of regulations by all levels of government, all in an effort to diversify the revenue base, are also included (Abiodun & Kida, 2016). In order for all of these policies and interventions to be effective, it is expected that the owners of SMEs will instill the culture of 'can do' into their operations. Despite the government's efforts, SMEs in Nigeria face a number of challenges, including insufficient strategic orientations and infrastructure development, a lack of expertise and experience, insufficient competence, mismanagement, inadequate technical know-how in the export market (Adegbite, Ilori, Ireferin, Abereijo & Aderemi, 2007). In addition, a careful assessment finds that all of these government measures appear to be insufficient to put an end to poor performance and outright failure among small and medium-sized enterprises (SMEs) in southwest Nigeria. Some may argue that most government interventions have concentrated on financial lending rather than taking into consideration the predisposition and fundamental attitudes of business owners toward entrepreneurship, which is a valid point of contention. As a result, it has become a tremendous struggle for many of these businesses to compete favourably against large local corporations that have benefited from the influx of low-cost imported goods from China and other nations.

It is possible that financial interventions will be insignificant in the event that the individual beneficiaries/business owners do not demonstrate an acceptable degree of excellent cultural values toward achieving business optimal goal with a particular interest in the major components of entrepreneurial orientation such as innovativeness, proactiveness, and risk taking. It is also of importance to demonstrate a high level of these characteristics (individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance), which are the fundamental ingredients of cultural values, in order to maximize the effective usage of such government interventions. Performance is the ultimate goal of every business venture. It is the mainstay why business is established while it is also the major determinant of its survival. Performance could be measured in terms of financial, non-financial or a combination of both. This research work measured performance of SMEs using the combination of both financial and non-financial parameters which include sales volume, profitability, market share, and customer growth. Successful value creation for common stakeholders can be equated to good SMEs' performance from this perspective, and the frameworks can be applied more generally.



1.1 Statement of the Problem

In considering the high premium level placed on entrepreneurship and SMEs by all tiers of government and other stakeholders mostly in Nigeria, it is still observed that the sector still perform below its expected baseline. Further investigations by Abiodun and Kida (2016), Onugu (2005) and others however revealed that most of these assistance are perhaps majorly based on financial and policy making without much consideration for ability to harness both internal and external elements, as well as strategic orientation, among other aspects, towards the attainment of organisations' performance (Abiodun & Kida, 2016). While internal characteristics such as entrepreneurial orientation and a few of others have been found, external factors such as the national culture have been highlighted as being of particular importance (Abiodun & Kida, 2016).

It has been noted that a number of studies, including those conducted by Wehner, Falk, Leist, and Ritter (2017), Rauch, Wicklund, Lumpkin, and Frese (2009), Tucker and Throne (2010), Fauzul, Takenouchi and Yukiko (2010), Lingesiya (2012), Fredrick, Loice and Omwono (2018), and a host of others, on the direct effect of entrepreneurial orientation on SMEs' success, researchers have come up with conflicting findings. A number of stakeholders were misled by some of the findings, which showed a positive significant association in some cases and a negative significant relationship in other cases. This raises the question of whether to introduce an external factor such as national culture into the equation. As a result, the objective of this research work is to look into the relationship between entrepreneurial orientation (EO) and cultural values on the performance of small and medium-sized businesses in Southwest Nigeria.

1.2 Purpose of the Study

The purpose of this study is to examine the relationship between entrepreneurial orientation and cultural values on the performance of small and medium-sized enterprises in southwest Nigeria

1.3 Research Questions

1. What is the relationship between entrepreneurial orientation and cultural values on the performance of small and medium-sized enterprises in southwest Nigeria?

1.4 Hypothesis

H0₁: There is no significant relationship between entrepreneurial orientation and cultural values on the performance of small and medium-sized enterprises in southwest Nigeria.

LITERATURE REVIEW

2.1 Entrepreneurial Orientation

The concept was developed by Covin and Slevin (1989, 1991) nearly four decades ago, and it has subsequently been implemented in a range of fields such as management, marketing, and the health-care industry (Al-Swidi & Al-Hosam, 2012). In the view of Avlonitis and Salavou (2007), EO is a managerial phenomenon that allows businesses to adopt proactive and aggressive steps to alter the competitive landscape in their favour for the purpose of gaining a competitive edge.



Entrepreneurial orientation, according to numerous researchers' research, has three characteristics: innovativeness, proactiveness, and risk-taking, all of which are applicable to the study of business (Covin & Slevin, 1989, 1991). Lumpkin and Dess (1996), however, included additional two new dimensions, competitive aggressiveness and autonomy, with the initial three, making the total number of dimensions to five. However, in the context of this study, the idea of entrepreneurial orientation was examined in terms of three aspects proposed by the authors (innovativeness, proactiveness, and risk-taking) (Covin & Slevin, 1989, 1991). This is because the other two dimensions (competitive aggressiveness and autonomy) are already absorbed and integrated into the first three dimensions, as previously indicated. This three-dimensional idea, according to the authors, provides a cohesive technique for understanding entrepreneurial orientation, and it has been empirically proven (Hughes & Morgan, 2007; Al-Swidi & Al-Hosam, 2012).

Tajeddini (2010) looked at entrepreneurial orientation (having a greater ability to take risks than competitors, a greater ability to participate in corporate strategy activities, a greater tendency to recognize client requirements and desires, a significantly larger degree of creativity, a greater capability to keep going in making our vision of the business a reality, and a greater capacity to discover new possibilities) and a focus on the consumer (having a greater tendency to recognize client requirements and desires, a greater degree of creativity, a greater ability to stick it out in the face of adversity (having regular measures of customer satisfaction and satisfaction with the company).

2.2 Dimensions of Entrepreneurial Orientation

Innovativeness

Innovativeness is seen as the company's proclivity to experiment with new ideas and think creatively, with the hope that one of these ideas may yield future economic benefits for the company (Kithaka, 2016). Among the many different shapes that innovativeness can take are the acceptance of innovative ideas, research and development support, and the use of new technology in introducing new products to the marketplace so that the company can benefit from their introduction to market (Wiklund & Shepherd, 2003). In addition, Lumpkin and Dess (1996) described innovativeness as an organisation's readiness to involve in and foster novel ideas and techniques like experimentation and creativity that can bring about the development of new goods, technical processes or services.

Proactiveness

This has to do with a firm's ability to introduce new products or processes to the market ahead of competitors, and it is more likely to seek out opportunities to do so (Arief, Thoyib, Sudiro, 2013). It is characterized by a forward-thinking approach incorporating the launch of new items ahead of competition, in the estimation of future sales, with the goal of influencing and capturing the environment to the company's benefit (Lumpkin & Dess, 2001).

Risk-taking

Risk taking includes entering into fields that have not previously been explored or starting new ventures, having the predisposition to take risky acts such as approaching new markets that are unfamiliar, investing a magnanimous amount of one's resources in initiatives with unclear consequences, and/or significantly borrowing to fund one's endeavours (Kithaka, 2016). Yeboah (2014) stated that early conceptions of entrepreneurship were predicated on the entrepreneurs'



readiness to take calculated risks in the course of their businesses. Therefore, risk taking as a notion can be thought of as an attribute characteristic of entrepreneurship. Organisations with an entrepreneurial attitude, according to Dess and Lumpkin (1996), are more inclined to participate in risk-taking behaviour, make higher financial commitments, and look forward to achieving high results through the acquisition of market opportunities.

Culture and Cultural Values

Asogwa (2008) defined culture as a person's or society's principles or norms that are established for the better or advantage of the individual or society in question, whereas Linton as cited by Aborisade (2015), stated that a society's culture is its members' way of life, a collection of beliefs and behaviours that they pick up, share, and pass down from generation to generation. Cultural practices are, in fact, a way of life that is shared by individuals of a specific society (Kluckhorn in Aborisade, 2015). The term "entrepreneurial culture" has gained popularity in recent years to characterize a corporate way of thinking about business and commerce. Generally thought to be a management paradigm in which a favourable social attitude toward human enterprise predominates, allowing and positioning entrepreneurial activity at the core of the organisation. Furthermore, in the view of Bateman (1997), those economies and areas that have achieved significant success in the late twentieth century have a worldwide corporate culture that is broadly characterized as entrepreneurial in nature. In a nutshell, cultural values are measured in this research effort using characteristics such as individualism/collectivism, power distance, masculinity/femininity, and uncertainty avoidance (as derived from Dissanayake & Semasinghe, 2016).

2.3 Performance of Small and Medium-Sized Enterprises (SMEs)

Performance measurement systems (PMSs) are critical for making sound and logical decisions in the workplace. The information they provide helps firms quantify and examine their operations' efficiency and efficacy, as well as the soundness of their plan execution and their tendency to reach their intended goals. They are also a valuable source of information for investors (Ukko, Tenhunen, & Rantanen, 2007). It has been shown that these systems can aid decision-making processes by gathering, developing, and analysing statistically defined performance data, and eventually summarizing the information in a clear manner (Bisbe & Malagueo, 2012). The following constructs were used to evaluate the success of SMEs in this context: sales volume, profitability, market share, and customer growth (Kithaka, 2016).

2.4 Empirical Review

Udeozor (2011) conducted a research on influence of culture on entrepreneurial orientation and performance of Nigerian firms. The study was carried out among Nigerian based firms. The sample size is 120 cut across all industry through random sampling technique. First-line supervisors and low-level employees who have been with the company for at least six months were given a questionnaire. The questionnaire were administered through e-mail to those companies who have valid e-mail addresses. Only 61 out of 120 were returned while only 47 were valid for the study. The findings reveal that culture does not have an impact on all aspects of EO. It has a big impact on risk-taking and autonomy, but it has no effect on proactiveness nor competitive aggressiveness. Furthermore, masculinity is positively connected to risk-taking but adversely related to autonomy, according to the findings.



However, it can be reviewed that the result of this study cannot be relied upon to generalize. The reason being that the study encompasses the whole of Nigeria that has about 250 ethnic groups with divergent and heterogeneous cultural values. For the result of a research of this kind to be relatively reliable, it would be advised to be concentrated on a region of the country with homogenous cultural values as being done in this study.

Khalid, Abdul, Kamisan and Nky (2012) examined factors stimulating women to choose entrepreneurship as their career. The main hypotheses of the study were to gauge understanding of what the respondents perceived about personality traits of entrepreneurs and also to examine the influences cultural variables on women's entrepreneurial intention. From a total population of 1,500, a sample of 170 women entrepreneurs in Kinta, Perak, were given a questionnaire. The variables were tested using correlation analysis and multiple regressions in this study. The findings revealed a poor relationship between women's personality and cultural factors. However, cultural factors, rather than personality factors, have a considerable impact on women entrepreneurs' decision to start their own business. As a result, the cultural factor was discovered to be highly associated to entrepreneurial intent. Despite this, the study's scope is limited to women living in the Kinta district, Perak by the author without any justification. This will definitely make the result lack merit in the aspect of being used to generalize EO intention of everybody (including men) in the district.

Najla, Ivona, and Melisa (2016) focused their own study on comparative analysis of entrepreneurial orientation of Croatian and Sweden students. The main goal of this research was to show how the cultural and educational setting influences an individual's entrepreneurial behaviour, specifically among Croatian and Swedish students. Data on the comparability of similar subcultures in different nations was collected using a questionnaire. The goal was to limit the variation of data as much as possible, including age, gender, education, and so on, so that any remaining variances could be attributed to national/cultural differences. In Croatia and Sweden, the responders were students (at the University of Zagreb and the University of Lund respectively). The questionnaire was administered to a total of 103 people, 52 Croats and 51 Swedes. In both national cultures, regression analysis was used to see which factors account for higher levels of entrepreneurial initiative, intentions, self-esteem, attitudes, and clarity of business objectives.

As a result of cultural influence, the overall impact of the environment has a statistically significant effect on the entrepreneurial initiative of Croatian students compared to Swedish students. According to the findings, Croatian students had much lower entrepreneurial intent, whereas Swedish students have more favourable entrepreneurial views. Interestingly, Swedish pupils believe that the entrepreneurial climate in their schools is more supportive. Because of the increased environmental support provided, one might assume a higher level of entrepreneurial initiatives among Swedish students. This conclusion of this research work can also be applicable to Nigeria environment because of its sensitivity to cultural influence on entrepreneurial orientation as explained by (Udeozor, 2011).



3. METHODOLOGY

Descriptive survey research design was adopted in administering questionnaire to a sample of 400 SMEs owners in southwest Nigeria; using Yamane (1967) model. From the distributed questionnaire, a total of 322 (80.5%) was successfully completed, returned and collated for the study. The questionnaire consisted three sections. Section A contained the bio-data variables of the respondents. Section B adopted the three major EO dimensions (such as innovativeness, proactiveness, and risk taking) as propounded by Covin and Selvin (1989, 1991) because they have been used by most previous studies such as Klerk, Palmer and Wyk (2012) and documented to have achieved high level of reliability and validity in various studies (Kreiser, Marino & Weaver, 2002) while, section C contained items relating to SMEs performance; financial and non-financial performance measures such as sales growth, profitability, market share and customer growth as used by Kithaka (2016) and modified.

All items of the questionnaire were measured using 5-Likert point rating scales as developed by Vagias (2006). The questionnaire were self-administered to the 400 respondents through proportional sampling technique in order to achieve fairness among all the heterogeneous categories of SMEs (manufacturing, production and services) while in each category, a basic random technique was employed to choose respondents who were only the owners, managers and/or the supervisors of the SMEs. Descriptive statistics (such as frequencies and percentages) and inferential such as structural equation modelling (SEM) was used to examine the relationship between entrepreneurial orientation and cultural values on the performance of SMEs in southwest Nigeria.

4. RESULTS AND DISCUSSION

Three hundred and twenty-two (322) questionnaires were returned by the respondents out of a total of 400, representing 80.5% of the total sample size under investigation. These were processed, analysed and utilized for the research work. Table 1 describes the characteristics of the respondents where 64.3% of are males while 35.7% are females. The findings show that in Nigeria, a growing proportion of men are participating in small and medium businesses. The age distribution of the respondents shows that an appreciable spread across different age categories. The findings indicate that SMEs are dominated by young individuals with active age bracket.

The statistics on years of education indicate that appreciable number of the sample entrepreneurs have sufficient level of education. This clearly shows the level of priority given to Western education in southwest Nigeria. The distribution of position shows that 38.8% are owners of their business, 31.1% are managers of the business, 13.4% are supervisors while 16.8% are employees. The respondents' descriptive statistics demonstrate their ability to give the necessary information on the relationship between cultural values and SMEs' performance.



Table 1: Demographic Characteristics of Respondents

Variables	Description	Frequency	Percentage
Gender	Male	207	64.3
	Female	115	35.7
Total		322	100
Age (in years)	18-29	34	10.6
	30-35	66	20.5
	36-40	67	20.8
	41-45	60	18.6
	46-50	49	15.2
	51-55	26	8.1
	56-60	16	5.0
	61 and above	4	1.2
Total		322	100
Marital Status	Single	58	18.0
	Married	231	71.7
	Divorced	18	5.6
	Widow	15	4.7
Total		322	100
Level of Education	Primary	8	2.5
	Secondary	104	32.3
	Tertiary	210	65.2
Total		322	100
Position	Owner	125	38.8
	Manager	100	31
	Supervisor	43	13.4
	Employee	54	16.8
Total		322	100

Source: Filed Survey (2023)

4.1 The Relationship Between Entrepreneurial Orientation and Cultural Values on the Performance of SMEs

Results presented in Figure 1 and Table 2 show the relationship between entrepreneurial orientation and cultural values and the effect on the performance of SMEs. The results show a positive and significant relationship ($\rho = 0.80$, $p < 0.05$) between entrepreneurial orientation and cultural values of SMEs. The result indicates that both entrepreneurial orientation and cultural values are strongly related with high level of relationship. However, the estimated effect of the relationship between EO and cultural values on performance of SMEs is mixed. The effect of entrepreneurial orientation in the relationship, on the various measures of performance is negative. The effect of EO on sales performance of SMEs is negative but significant at 5% level ($\beta = -0.654$, $P < 0.05$). Similarly, the effect of EO on profit ($\beta = -0.669$, $P < 0.05$), market share ($\beta = -0.854$, $P < 0.05$), and customer growth ($\beta = -0.438$, $P < 0.05$) are all negative but significant. The results imply an inverse relationship between EO and performance of SMEs due to its linkage with cultural factors.



On the contrary, cultural factors, given its relationship with EO have positive and significant effect on all the measures of performance of SMEs. The results show that cultural factors have positive effect on customer growth ($\beta = 0.789$, $P < 0.05$), market share ($\beta = 1.368$, $P < 0.05$), profit ($\beta = 1.083$, $P < 0.05$), and sales ($\beta = 1.231$, $P < 0.05$). The results imply that increase in the level of changes in the cultural factors, due to its relationship with EO, could result in increase in customer growth, market share, profit and sales of SMEs.

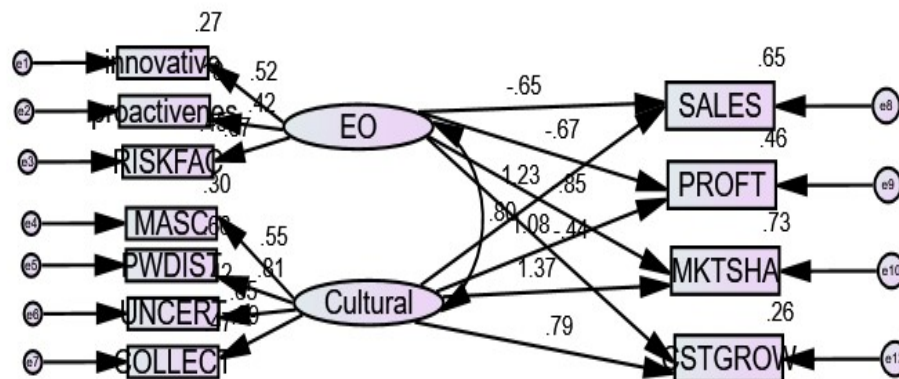


Figure 1: Path Analysis of EO, Cultural Factors and Performance
 Source: Data Analysis (2023)

Table 2 Entrepreneurial Orientation and Cultural Values on the Performance of SMEs

			Estimate	C.R.	P
SALES1_A	<---	EO	-.654	-3.552	***
PROFT	<---	EO	-.669	-3.469	***
MKTSHA	<---	EO	-.854	-3.869	***
CSTGROW1_A	<---	EO	-.438	-2.589	.010
CSTGROW1_A	<---	Cultural	.789	4.601	***
MKTSHA	<---	Cultural	1.368	5.841	***
PROFT	<---	Cultural	1.083	5.407	***
SALES1_A	<---	Cultural	1.231	5.974	***

Source: Data Analysis (2023)

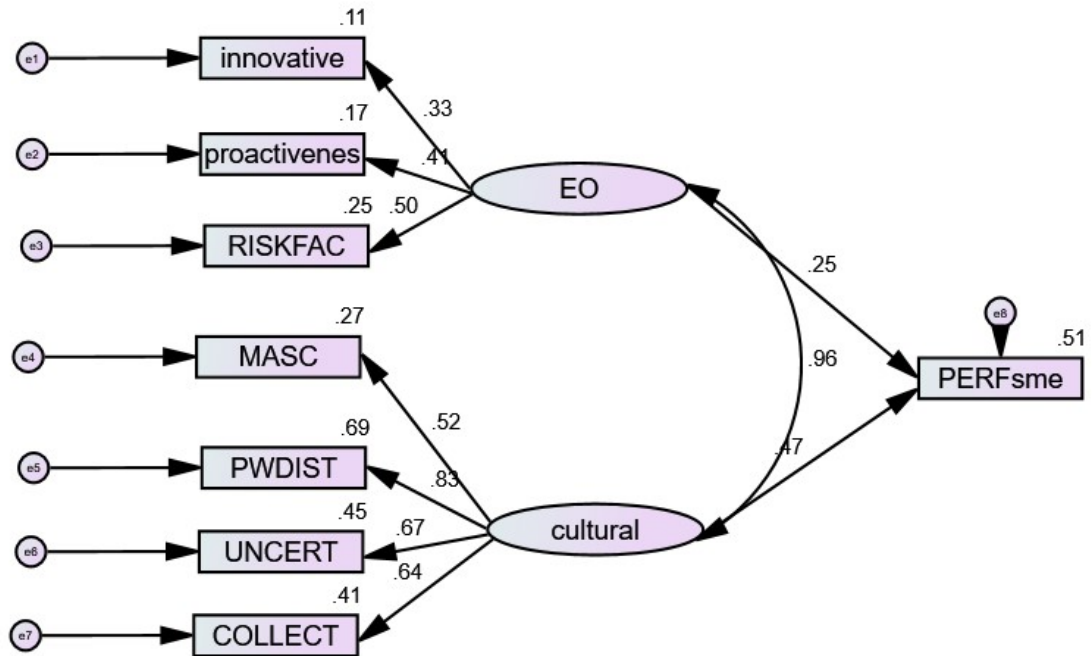


Figure 2: Estimated Relationship between Entrepreneurial Orientation and Cultural Values on the Performance of SMEs
 Source: Data Analysis (2023)

In aggregate, the estimated relationship between entrepreneurial orientation and cultural values on the performance of SMEs is presented in Figure 2. The estimated relationship between EO and cultural values is 0.96, indicating a positive and high level of relationship between the two variables leading to the performance of SMEs. Consequently, both relationships could result in 25% and 47% increase of the performance of SMEs respectively.

5. DISCUSSION OF FINDINGS

The study seeks to explain the relationship between EO and cultural values on the performance of SMEs. According to research, companies with a performance-centric culture grow more profitably. Culture has been shown to have a major impact on an organisation's long-term economic performance in various studies. The results show a positive and significant relationship ($\rho = 0.80$, $p < 0.05$) between entrepreneurial orientation and cultural values of SMEs. The result indicates that both entrepreneurial orientation and cultural values are strongly related with high level of relationship. However, this negates the findings of Udeozor (2011) which revealed that culture does not have an impact on all aspects of EO. It has a big impact on risk-taking and autonomy, but it has no effect on pro-activeness nor competitive aggressiveness. Masculinity is positively connected to risk-taking but adversely related to autonomy, according to the findings.



Also, cultural factors, given its relationship with EO have positive and significant effect on all the measures of performance of SMEs. The results show that cultural factors have positive effect on customer growth ($\beta = 0.789$, $P < 0.05$), market share ($\beta = 1.368$, $P < 0.05$), profit ($\beta = 1.083$, $P < 0.05$), and sales ($\beta = 1.231$, $P < 0.05$). This has the implication that increase in the level of changes in the cultural factors, due to its relationship with EO, could result in increase in customer growth, market share, profit and sales of SMEs. . Because of cultural influence, the overall impact of the environment has a statistically significant effect on the entrepreneurial initiative of Croatian students compared to Swedish students. According to the findings, Croatian students had much lower entrepreneurial intent, whereas Swedish students have more favourable entrepreneurial views. Interestingly, Swedish pupils believe that the entrepreneurial climate in their schools is more supportive.

This is in accordance with the findings of Najla, et, al; (2016), which believed that because of cultural influence, the overall impact of the environment has a statistically significant effect on the entrepreneurial initiative of Croatian students compared to Swedish students. According to the findings, Croatian students had much lower entrepreneurial intent, whereas Swedish students have more favourable entrepreneurial views. Interestingly, Swedish pupils believe that the entrepreneurial climate in their schools is more supportive. Because of the increased environmental support provided, one might assume a higher level of entrepreneurial initiatives among Swedish students, this is as a result of its sensitivity to cultural influence on entrepreneurial orientation.

This is also in corroboration with the findings presented by Khalid, et. al..(2012) which confirmed that cultural factors, rather than personality factors, had a substantial impact on entrepreneurs' choice of entrepreneur. It stated further that cultural factor was found significantly related to entrepreneurial orientation. In aggregate, the estimated relationship between entrepreneurial orientation and cultural values on performance of SMEs is presented in Figure 2. The estimated relationship between EO and cultural values is 0.96, indicating a positive and high level of relationship between the two variables leading to the performance of SMEs. Consequently, this implies that both relationships could result in 25% and 47% increase in the performance of SMEs respectively. Therefore, it indicates that an entrepreneur who can synergize EO with cultural values has the tendency of improving his organisation's performance.

5. CONCLUSION

The findings reveal that entrepreneurial approach and SMEs' cultural values have a favourable and significant association, according to the study. According to the findings of this study, entrepreneurial orientation and cultural values are both substantially associated with a high level of relationship. The results show that the constructs of cultural values such as masculinity/femininity, uncertainty avoidance, individualism/collectivism, and power distance all have an increasing and direct influence on SMEs' performance. The study also concludes that increase in collectivism as a business value could result in increases in sales performance of SMEs. It is concluded that the influence of 'pushing' and 'oppression' in business formation, as well as the influence of elderly status in setting up SMEs are very relevant to firms' performance. This suggests that EO and cultural values have a substantial impact on SMEs' performance in southwest Nigeria.



While individual variable (entrepreneurial orientation and cultural values) increase SME's performance by 25% and 47% respectively in the study, the aggregate calculated association between EO and cultural values that weighs up to 0.96 (that is 96%), demonstrating a positive and high level of relationship between the two factors that leads to SMEs' performance. It is therefore recommended that governments at all levels should always consider the influence of cultural values in their planning of any assistance for and/or making any relevant regulations/policies in respect of SMEs in southwest Nigeria.

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