

Entrepreneurial Traits and Firms Performance: Evidence from SMEs in Nigeria

Nuel-Okoli, Chinenye Maureen¹, Okoli, Ifeanyi. E. Nuel²

¹Chukwuemeka Odumegwu Ojukwu University Igbariam

²Nnamdi Azikiwe University Awka

Article Info

Article history:

Received June, 2024

Revised August, 2024

Accepted August, 2024

Keywords:

Entrepreneurial Traits

Performance

Innovativeness

Competitiveness

Small and Medium Enterprises

ABSTRACT

The purpose of this research is to determine the influence of entrepreneurial traits on firm's performance in selected small and medium enterprises (SMEs) in Anambra State, Nigeria. The research was supported by trait theory of entrepreneurship. The research employed survey research design. The population target consists of 548 registered small and medium-scale enterprises located in Awka South L.G.A, Anambra State. The study used sample of 240 respondents drawn from the registered small and medium-scale enterprises. Stratified random sampling was employed in identifying respondents. A structured questionnaire was incorporated in data collection. Face and content validity was adopted in the study. Cronbach alpha coefficient was useful in examining the research instrument. Cronbach alpha coefficient of 0.7 was used for reliability. The assembled data was examined by means of descriptive statistics and inferential statistics assisted by Statistical Package for Social Sciences (SPSS). Data presentation entailed usage of tables and percentages. The findings indicated that entrepreneurial traits had a positive significance influence on the performance of SMEs. The research concluded, risk taking propensity, innovativeness and resilience influence performance of SMEs in Anambra State Nigeria having been statistically significant and therefore considered. The study recommended that prospective entrepreneurs should be mindful of these factors and take advantage of them in their quest to improve their firm's performance and competitiveness.

This is an open access article under the [CC BY-SA](#) license.



Corresponding Author:

Name: Okoli, Ifeanyi. E. Nuel

Institution: Nnamdi Azikiwe University Awka

e-mail: je.okoli@unizik.edu.ng

1. INTRODUCTION

SMEs serve as the crucible for national development, underpinning economic expansion [1]. The Nigerian economy is endowed with a wealth of human and material resources, and Small and Medium-Scale Enterprises (SMEs) have emerged as crucial contributors to both

employment creation and the expansion of Gross Domestic Product [2]. These SMEs contribute significantly to both employment opportunities and wealth creation while also serving as a source of government revenue through taxes [3]-[4]. A positive correlation exists between a country's income level and the number of SMEs per 1,000 people, as per

the World Bank's Doing Business reports, highlighting the importance of a healthy SMEs sector in reducing informal business activities [5]. The effectiveness of SMEs in Nigeria depends on the entrepreneurial abilities of individuals, including innovation, risk-taking, and competitiveness [6]. Entrepreneurs with these characteristics thrive in dynamic and competitive business environments, whereas those lacking these traits tend to underperform or even exit the market. According to Bello [7], raising awareness among citizens regarding the crucial significance of entrepreneurship emerges as a vital strategy in addressing poverty and unemployment, fostering the development of skills like resilience and self-efficacy, and fostering an entrepreneurial mindset that enables individuals to become labor creators, rather than just job seekers.

The assessment of SME performance in Nigeria can be conducted by considering both financial and non-financial aspects, which include metrics such as sales expansion, profitability, competitive positioning, and operational efficiency [8]. Financial indicators are associated with profits, wealth creation, economic growth, and sales growth, whereas non-financial metrics pertain to competitive advantages and increased productivity. Entrepreneurs can be categorized based on their approach to the market. Entrepreneurs who are responsive react to market cues, aiding in the progression of market dynamics. Visionaries contribute to economic growth by introducing revolutionary concepts that change the distribution of resources, whereas individuals in the managerial category progressively improve current products and procedures [9]. However, despite the economic significance of SMEs, Nigeria faces a high rate of SME failures attributed to low profitability, poor decision-making, high production costs, competition from foreign products, and limited market share. It remains uncertain whether these issues result from entrepreneurs' inability to take calculated risks, respond effectively to competition, or generate novel and marketable ideas.

Small and Medium-Sized Enterprises (SMEs) grapples with an alarming prevalence of failure. This predicament often stems not from infrastructure limitations or competition posed by large corporations, but rather from a conspicuous dearth of robust entrepreneurial attributes. Managers of SMEs must possess the acumen to adeptly steer their enterprises, while concurrently acquiring essential competencies in critical domains such as strategic planning, organizational proficiency, effective leadership, and adept communication [9]. The cultivation of creativity and innovation skills typically ensues through hands-on experience or specialized training initiatives [9]. Regrettably, the SME landscape is frequently marred by a disproportionately high rate of failures, primarily attributable to deficiencies in managerial and entrepreneurial qualities that are imperative for realizing desired outcomes [10]. Against this backdrop, this study undertakes a rigorous examination of the intricate influence of entrepreneurial traits on SMEs performance.

2. LITERATURE REVIEW

2.1 Entrepreneurial Traits

Entrepreneurial traits encompass inherent characteristics and qualities that hold a pivotal role in the entrepreneurial process, profoundly influencing an individual's capacity to recognize, cultivate, and exploit opportunities in the business landscape [11]. These attributes collectively form the foundation upon which successful entrepreneurs build their ventures and navigate the complex and dynamic world of business. Risk-taking propensity, adaptability, innate passion for innovation, unwavering commitment to creative problem-solving and resilience are essential traits, as the business environment is characterized by rapid changes and unforeseen challenges, necessitating the ability to pivot and persevere. The bedrock of entrepreneurial success is centered on entrepreneurial traits, which enable individuals to not only identify and create opportunities but also to harness them

effectively in the ever-evolving world of business.

2.2 Risk Taking Propensity and Customer Satisfaction

Risk-taking propensity is undeniably a fundamental and defining trait of successful entrepreneurs. Entrepreneurs are widely recognized for their distinctive willingness to embrace calculated risks in the pursuit of their objectives [11]. Entrepreneurs heavily rely on the willingness to take risks, which impacts decision-making and the readiness to engage in uncertain and potentially risky ventures [12]. Entrepreneurs who lean towards risk-taking are more prone to spot and pursue innovative opportunities, leading to potential rewards and a competitive edge. Khan and Mahroos [13] posit that the significance of risk-taking in the entrepreneurial sphere is an instrumental factor in achieving entrepreneurial success. A study by Smith [9] found that SMEs led by entrepreneurs willing to take calculated risks tend to outperform their more risk-averse counterparts. Entrepreneurs with a high risk-taking propensity are more likely to make bold decisions, such as entering new markets, launching innovative products, or investing in unproven technologies [14].

Customer satisfaction plays a pivotal role in the performance of SMEs and is widely recognized as a fundamental determinant of their overall success [15]. Entrepreneurs who take calculated risks can motivate and engage their employees to create value for the satisfaction of their customers. Customers may feel a stronger sense of purpose when patronizing a company that is willing to take risks and innovate. A risk-friendly environment promotes a culture of continuous learning and development. Employees are encouraged to acquire new skills and knowledge to support the company's innovative initiatives for value creation [16]. However, excessive risk-taking without adequate risk management can lead to higher levels of stress and uncertainty among customers, potentially negatively impacting their productivity [17]. Oguh & Uzor [18] research observed that lack of an entrepreneurial mindset embedded in risk

taking contributes to the high failure rate of SMEs.

2.3 Innovativeness and Product Development

Entrepreneurial traits like innovation is critical to SMEs growth. Innovativeness refers to the ability of entrepreneurs to develop and introduce new products, services, processes, or business models that are novel and provide value to customers. It involves thinking creatively and finding unique solutions to problems. Innovation in SMEs can be a product, process or marketing innovation adopted in order to increase performance of enterprises in terms of sales volume or otherwise. Employees who are actively involved in innovation processes often experience a greater sense of purpose and achievement in their work [19]. Innovative SMEs tend to offer more opportunities for skill development and learning, which further boosts employee satisfaction [20]. Thus, it is evident that a culture of innovativeness can positively influence employee satisfaction within SMEs, ultimately impacting their performance. SMEs often grapple with resource limitations and confront intense market competition, underscoring the pressing need for them to continually innovate and refine their product offerings.

Effective product development empowers SMEs to engage in two fundamental strategies: the creation of new products and the enhancement of existing ones. This dual approach equips them to not only meet but anticipate evolving customer needs and preferences, thereby staying attuned to the pulse of the market. This agility in adapting to changing demands enables SMEs to remain competitive, safeguarding their market share and relevance. The findings of Smith and Brown [21] highlight that through thoughtful product development, SMEs can optimize their resource utilization, ensuring that limited resources are channeled into initiatives with the highest potential for growth and profitability. These actions align with the insights of Ogulu, et al. [22], who emphasize that product development empowers SMEs to differentiate themselves from competitors,

carving out a distinct niche within their respective industries. Heenaab & Bedi [23] study also affirmed that innovativeness and creativity played a key role in firm performance. The study revealed that entrepreneurial mindset or lack of it has a major effect on firm performance and if any economy is bended towards development and growth, it would have to embrace this concept.

2.4 Resilience and Operational Efficiency

Resilience is a trait that entrepreneurs need to navigate the ups and downs of the business world. Rauch & Hulsink, [10] argued that resilience aid managers and business owners bounce back from failures and setbacks, maintaining their motivation and adaptability. Johnson and Quirk [24] affirmed that resilience impact on the long-term success of entrepreneurs. Resilience is viewed as the ability to adapt, bounce back, and persevere in the face of adversity and challenges. Entrepreneurs who exhibit high levels of resilience are better equipped to navigate the uncertainties and setbacks inherent in starting and growing a business [25]. Davis [26] reiterated that resilient entrepreneurs are more likely to adapt to market changing conditions, pivot their business models, and be committed to their goals even when confronted with adversity.

The ability to achieve and sustain operational efficiency not only guarantees the

survival of SMEs but also sharpens their competitive edge within the market. Operational efficiency is a crucial element of SME performance. According to a study by Kehinde & Onuoha [27], efficient processes within SMEs lead to cost savings, reduced waste, and improved resource allocation. When entrepreneurs possess resilience as a trait, they tend to lead their organizations with a problem-solving mindset and the ability to overcome hurdles efficiently. The symbiotic relationship between resilience and operational efficiency is evident in how resilient entrepreneurs can optimize resources and empower their teams to handle adversity. Resilient leaders foster a culture of resilience within their organizations. This culture, in turn, enables SMEs to respond more efficiently to unexpected challenges, ensuring smoother operations and, consequently, improved performance. Karabey [28] study unveiled that entrepreneurial cognition through thinking style, entrepreneurial alertness and risk preference relates to performance.

2.5 Conceptual Framework

The framework for this study is presented in Figure 1 below that shows the relationship between dependent variable performance and entrepreneurial trait as independent variables.

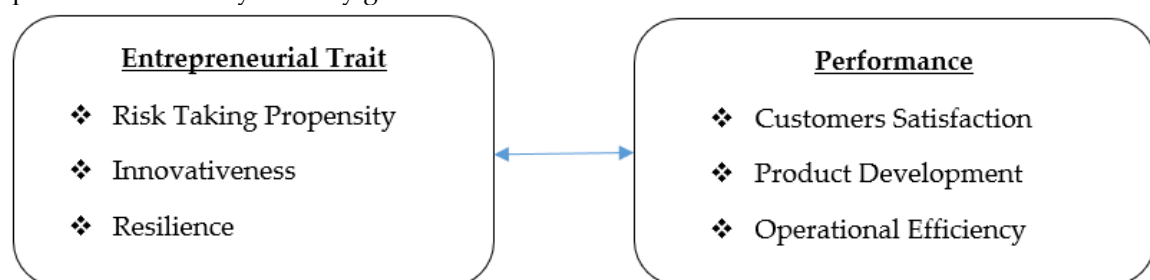


Fig. 1: Conceptual Framework between Entrepreneurial Trait and Performance

2.6 Theoretical Framework

This study is anchored on Trait Theory of Entrepreneurship by David McClelland. This theory revolves around the notion that an individual's inherent personal characteristics and attributes play a pivotal role in determining their potential for becoming successful entrepreneurs. This theory emphasized the identification and

cultivation of specific traits common among prosperous entrepreneurs as a means to enhance one's entrepreneurial aptitude. Central to this theory is the idea that certain traits, such as a strong need for achievement, a high degree of self-confidence, a penchant for taking calculated risks, and a proclivity for innovation, are critical ingredients for entrepreneurial success. Scholars and

researchers have extensively examined these traits, recognizing a set of core characteristics that are often associated with successful entrepreneurs.

One fundamental trait highlighted in the trait theory of entrepreneurship is a high need for achievement. Entrepreneurs with a strong desire to accomplish challenging goals and an unrelenting pursuit of success are often better equipped to navigate the complexities of business. Additionally, a propensity for risk-taking is considered a critical trait, as entrepreneurship inherently involves uncertainty and the willingness to undertake calculated risks. Furthermore, self-confidence is imperative, as it empowers entrepreneurs to make decisions and persevere in the face of adversity. Innovative thinking is another pivotal trait, enabling entrepreneurs to identify novel opportunities and develop creative solutions. In sum, the trait theory of entrepreneurship posits that individuals who possess these traits are more likely to excel in entrepreneurial endeavors, and understanding these traits can be instrumental in both identifying potential entrepreneurs and nurturing their development.

The relevance of trait theory to the field of entrepreneurial traits and the performance of small and medium-scale enterprises (SMEs) is undeniably substantial. SMEs are the backbone of many economies worldwide, serving as significant contributors to employment, innovation, and economic growth. In this context, understanding the specific traits that underpin entrepreneurial success in the SME sector becomes paramount. Trait theory, a fundamental concept in psychology and organizational studies, provides a valuable framework for identifying and comprehending the traits that play a pivotal role in the success of entrepreneurs within SMEs. These traits include but are not limited to risk-taking propensity, innovativeness, creativity, leadership, and resilience. Understanding the importance of these traits enables policymakers and business owners to make informed decisions in selecting and nurturing

individuals with the requisite qualities to lead SMEs effectively.

Knowledge of the traits associated with successful entrepreneurship in SMEs empowers stakeholders to develop targeted strategies aimed at improving the overall performance of these enterprises. Policies can be crafted to provide support and resources for SMEs, with a focus on nurturing and harnessing the identified traits among the entrepreneurial community. This, in turn, leads to the creation of a more conducive environment for SMEs to thrive, innovate, and contribute to economic growth. The application of trait theory in the context of entrepreneurial traits and SME performance is an indispensable tool for policymakers, business owners, and the broader economic landscape. It not only aids in the selection and cultivation of entrepreneurial talent but also serves as a cornerstone for the strategic development of SMEs, ultimately fostering economic growth and prosperity.

3. METHODS

In this particular research, a survey research design employing a quantitative approach was utilized to collect sample data from a specific population. The selection of this method aimed to ensure more robust and dependable outcomes for the study. In this particular study, the population consists of small and medium-scale enterprises located in Awka South L.G.A, Anambra State. As per the joint survey conducted by SMEDAN and the National Bureau of Statistics in 2023, Anambra State reportedly had 1,737 registered SMEs. However, specifically within Awka South L.G.A, the total count of registered SMEs was 548, making this the study's targeted population, focusing on SME operators in that area of Anambra State.

The sample size of the study was determined using Taro Yamani formula. Respondents were selected using the stratified sampling technique. An initial sample size of $n=246$ respondents was set, using the available historical information. However, 240 usable questionnaires were eventually collected and used in the data

analysis, which gave an acceptable response rate of nearly 92.31%. The data collection instrument was a five-point structured Likert questionnaire. The instrument was subjected to face and content validity to ensure that it measured what was intended. Data analysis was done through the use of Spearman's Correlation Coefficient. The level of significance used is 0.05, this guided the interpretation of correlation results to know whether the result is statistically significant or not. If the p-value obtained is less than 0.05 (p-

value < 0.05), the alternate hypothesis will be accepted, but if the p-value is greater than 0.05 (p-value > 0.05), the null hypothesis will be accepted.

4. RESULTS AND DISCUSSION

Hypothesis 1

Ho1: Risk taking propensity does not have any significant influence on customer satisfaction on small and medium scale enterprises (SMEs).

Table 1: Result of the correlation between risk taking propensity and customer satisfaction

Correlations				
			Risk Taking Propensity	Customer Satisfaction
Spearman's rho	Risk Taking Propensity	Correlation Coefficient	1.000	.617*
		Sig. (2-tailed)	.	.000
		N	240	240
	Customer Satisfaction	Correlation Coefficient	.617*	1.000
		Sig. (2-tailed)	.000	.
		N	240	240

*. Correlation is significant at the 0.05 level (2-tailed).

Correlation Coefficient (rho) = 0.32

Significance value = 0.000 (p < 0.05, that is, significant).

The coefficient correlation between risk taking propensity and customer satisfaction is 0.62. This indicates strong and positive correlation. The result indicates that risk taking propensity has a strong positive relationship with customer satisfaction. This means that any unit increase in the extent of risk-taking propensity leads to about 0.62 unit rise in customer satisfaction. The study rejected the null hypothesis, thus it accepts the alternate and concludes that risk taking propensity has significant influence on

customer satisfaction on small and medium scale enterprises (SMEs).

The finding of this study agrees with the assertion of Oguh & Uzor (2024); Covin & Slevin, (2021); Smith (2020), whom affirmed that entrepreneurs with a high risk-taking propensity are more likely to make bold decisions in satisfying their customers.

Hypothesis 2

Ho2: Innovativeness does not have significant influence on product development of small and medium scale enterprises (SMEs).

Table 2: Result of the correlation between innovativeness and product development.

Correlations				
			Innovativeness	Product development
Spearman's rho	Innovativeness	Correlation Coefficient	1.000	.827**
		Sig. (2-tailed)	.	.000
		N	240	240
	Product development	Correlation Coefficient	.827**	1.000

		Sig. (2-tailed)	.000	.
		N	240	240

** Correlation is significant at the 0.05 level (2-tailed).

Correlation Coefficient (rho) = 0.827

Significance value = 0.000 (p < 0.05, that is, significant)

The coefficient correlation between innovativeness and product development is 0.83 which is positive and very strong. This indicates that there is a strong positive relationship between innovativeness and product development. This implies that a unit increase in the extent of innovativeness leads to about 0.83 unit rise in product development. The study rejected the null hypothesis, thus it accepts the alternate and conclude that innovativeness has significant influence on product development of small

and medium scale enterprises (SMEs). The finding of this study aligned and lend credence to many scholars' findings which affirmed that innovativeness and creativity played a key role in product development, [21]-[23].

Hypothesis 3

Ho3: Resilience does not have any significant influence on operational efficiency of small and medium scale enterprises (SMEs).

Table 3: Result of the Correlation between resilience and operational efficiency

Correlations				
			Resilience	Operational Efficiency
Spearman's rho	Resilience	Correlation Coefficient	1.000	.317
		Sig. (2-tailed)	.	.000
		N	240	240
	Operational Efficiency	Correlation Coefficient	.317	1.000
		Sig. (2-tailed)	.000	.
		N	240	240

* Correlation is significant at the 0.05 level (2-tailed).

Correlation Coefficient (rho) = 0.317

Significance value = 0.000 (p > 0.05, that is, significant).

The correlation coefficient is 0.317. This indicates that there is a low positive relationship between resilience and operational efficiency. This indicates that a unit increase in the extent of resilience can lead to 0.32 units of increase in operational efficiency. The study rejected the null hypothesis, thus it accepts the alternate and conclude that resilience has significant influence on operational efficiency of small and medium scale enterprises (SMEs). The finding of this study lend credence to Karabey [28] and Davis [26], whom affirmed that resilient entrepreneurs are more likely to adapt to market changing conditions, pivot their business efficiency, and be committed to their targets.

5. CONCLUSION

Determining entrepreneurs traits that influence SMEs performance is critical in today's competitive business environment. This study identified risk taking propensity as having influence on customer satisfaction from the angle of firm performance. Again, the study concluded also that innovativeness determine success measured in terms of product development. Resilience was deemed to be influencing operational efficiency in parts. The findings were very interesting as it revealed from different performance spectacle. Thus prospective entrepreneurs should be mindful of these factors and take advantage of them in their quest to improve their firm's performance.

REFERENCES

- [1] Stefanovic, L., Ljubodrag, M., & Sloboda, V. (2021). Entrepreneurship's Role in Global Market Propulsion and Economic Growth: A Critical Analysis. *Global Journal of Business and Management*, 9(2), 123-135.
- [2] Taiwo, A.A. (2020). Small and Medium-sized Enterprises (SMEs) in the Nigerian Economy: Contributions to Employment and GDP Expansion. *Journal of Development Economics*, 12(1), 56-71.
- [3] Okoli, I.E.N., Nwakoby, N.P. & Adani, N.I. (2023). Knowledge Management: Implications to SMEs performance in Nigeria. *Nurture*, 17(2), 103-111. <https://doi.10.55951/nurture.v17i2.213>.
- [4] Abdullahi M. & Burcin K. (2017). Entrepreneurial characteristics and competencies as determinants of corporate performance: A study on small enterprises in Mogadishu, Somalia. *International Journal of Research -Granthaalayah*, 5(5), 243-254.
- [5] Isaga N. (2015). Owner- Managers' Demographic Characteristics and the Growth of Tanzanian Small and Medium Enterprises, *International Journal of Business and Management*, 10(5).
- [6] Oyeniyi, O.J & Adeniji, A.A. (2010). Entrepreneur psychological traits and performance: implications for Nigerian non-oil SMES exporting companies. *Review of Economic and Business Studies*, 3(2), 211-220
- [7] Bello, A. A. (2021). Entrepreneurship as a Catalyst for Poverty Alleviation and Unemployment Reduction: A Case Study of Nigeria. *International Journal of Business and Management*, 16(1), 14-26.
- [8] Johnson, P. (2020). Assessing Small and Medium-sized Enterprise Performance in Nigeria: A Comprehensive Approach. *Journal of Business Research*, 15(4), 321-335.
- [9] Smith, J. (2020). The Nexus between Entrepreneurship and Poverty Alleviation: Empirical Evidence from Nigeria. *Journal of Economic Development*, 25(1), 45-63.
- [10] Rauch, A., & Hulsink, W. (2021). Determinants of entrepreneurial resilience and failure: The effects of entrepreneurship education. *Journal of Business Venturing Insights*, 16.
- [11] Shane, S. (2022). *Entrepreneurship: A process perspective*. Cengage Learning.
- [12] Baron, R. A. (2020). Risk taking in entrepreneurship. *Academy of Management Perspectives*, 34(2), 193-218.
- [13] Khan, F., & Mahroos, F. (2021). Understanding the role of risk-taking in entrepreneurial success: A comprehensive review. *International Journal of Entrepreneurship*, 25(3), 1-24.
- [14] Covin, J. G., & Slevin, D. P. (2021). Entrepreneurial orientation in small business research: A critique and future directions. *Journal of Small Business Management*,
- [15] Kumar, V., & Reinartz, W. (2020). Customer satisfaction and SME success: A longitudinal perspective. *Journal of the Academy of Marketing Science*, 48(3), 342-362.
- [16] Wang, P., & Rode, J. (2010). Transformational leadership and follower creativity: The moderating effects of identification with leader and organizational climate. *Human Relations*, 63, 1105-1128. <https://doi.10.1177/0018726709354132>.
- [17] DeTienne, D. R., & Chandler, G. N. (2020). The risk environment of entrepreneurship. In *The Routledge Companion to Risk, Crisis and Emergency Management*.
- [18] Oguh, F.A. & Uzor G.O. (2024). Entrepreneurial Risk-Taking Ability and Profitability in Selected Small and Medium Enterprises (SMEs) Anambra State, Nigeria. *International Journal of Research Publication and Reviews*, 5(1), 663-670.
- [19] Amabile, T.M. (2012). Componential Theory of creativity. Harvard Business School, Working paper 12-096.
- [20] West, M.A., & Farr, J.L. (2020). *Innovation and creativity at work: Psychological and organizational strategies*. John Wiley & Sons.
- [21] Smith, A., & Brown, C. (2021). Innovation and product development in SMEs. *International Journal of Innovation Management*, 25(1).
- [22] Ogulu, B. S., Ogbari, M. E., Kehinde, B. E. (2023). Analysis of Competitive Advantage and Its Relevance to SME Sustainability: A Case of Nigerian Manufacturing Industry. *Journal of Entrepreneurial and Business Diversity*, 1(2), 127-136.
- [23] Heenaab, M. & Bedi, H.S. (2022). How Does Risk Taking Propensity Impact Firm Performance? *Journal of Positive School Psychology*, 6(8), 6800-6809.
- [24] Johnson, R. A., & Quirk, M. (2023). Resilience and long-term success in entrepreneurship: An empirical study. *Journal of Entrepreneurship, Management and Innovation*, 19(1), 99-116.
- [25] Smith, J. B., & Johnson, L. T. (2022). The role of resilience in entrepreneurial success: A longitudinal study. *Journal of Business Venturing Insights*, 17, e00231.
- [26] Davis, M. (2021). Adapting to change: The role of resilience in entrepreneurial success. *Journal of Small Business Management*, 59(4), 872-886.
- [27] Kehinde, O.F. & Onuoha, B.C. (2023). Green Management Practices and the Sustainable Business Performance of SMEs in Rivers State. *International Journal of Business and Economics*, 8(6), 28-41.
- [28] Karabey, C.N. (2012). Understanding entrepreneurial cognition through thinking style, entrepreneurial alertness and risk preference: do entrepreneurs differ from others? *Procedia - Social and Behavioral Sciences*, 58. 861 – 870.