

Unlocking Success: Nexus between Entrepreneurial Mindset and Performance of Small and Medium Scale Enterprises

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ABSTRACT

The study examined and unlocked the nexus between entrepreneurial mindset and the performance of small and medium scale enterprises (SMEs) Anambra State, Nigeria. The study was anchored on Effectuation theory. The study employed survey research design. The study population was drawn from the selected SMEs in Anambra State, Nigeria. The study conducted a census of all the 206-business owner/managers of the selected SMEs from the target population. Complete enumeration was adopted and so there was no need for sampling as all the selected SMEs were used. A non-probability sampling technique was used. Primary data was used and was collected using questionnaires. The questionnaire was validated using face and content validity. Reliability analysis run with Cronbach Alpha indicates high internal consistency. Data analysis was done through the use of Spearman's Correlation Coefficient. The findings of the study indicated that entrepreneurial mindset strongly related to performance of SMEs. The study concluded that traits such as innovativeness, creativity, and business alertness serve as pivotal markers of an entrepreneurial mindset, contributing substantially to the enhancement of SMEs performance. This study recommended that SMEs need to implement structured innovation programs to foster continuous improvement and product development encouraging employees to explore new ideas and technologies; and business stakeholders should encourage an atmosphere that nurtures creativity within SMEs by providing platforms for idea-sharing, incentivizing innovative thinking among employees.

Keywords: *Entrepreneurial Mindset, Performance, Innovativeness, Creativity.*

1. INTRODUCTION

Entrepreneurship is widely acknowledged as a fundamental driver of strong and enduring economic expansion, playing a pivotal role in fostering prosperity and advancement on a worldwide basis. Economies that foster and encourage entrepreneurial initiatives are more likely to achieve elevated levels of economic growth, distinguishing them from those where such efforts remain stagnant or decline. Beyond its economic implications, entrepreneurship encompasses facets of innovation, job creation, and societal advancement. Entrepreneurial endeavors frequently result in the creation of groundbreaking products, services, and technologies, driving innovation and enhancing competitiveness within economies (Jones & Roberts, 2021). The growth and development of an economy are intrinsically linked to the vigor of entrepreneurial activities within its borders. This symbiotic relationship has been a focal point of economic research for decades, with increasing evidence underscoring the paramount importance of the entrepreneurial mindset. According to a seminal study by McGrath and MacMillan (2020), this mindset acts as a catalyst for economic progress, with far-reaching implications for the standard of living enjoyed by a nation's citizens. The injection of entrepreneurial spirit into an economy often leads to market expansion, the diversification of goods and services, and a heightened focus on product quality. This, in turn, fuels competition, encourages innovation, and ultimately benefits consumers through greater choice and improved product standards. Maintaining a strong emphasis on fostering an entrepreneurial mindset is crucial for sustained and fair economic expansion (Smith & Williams, 2020).

Promoting entrepreneurial activities and nurturing an entrepreneurial mindset is imperative for fostering economic growth and sustainable development, particularly in developing countries. In Nigeria one of the key challenges is redirecting individuals away from the common practice of duplicating existing products and services. Fostering an entrepreneurial mindset that emphasizes innovation, problem-solving, and market differentiation is essential. To address this challenge comprehensively, a multi-faceted approach is necessary, encompassing educational reforms that prioritize entrepreneurship, mentorship programs, and incentives for research and development, thus an entrepreneurial mindset is essential. A resilient entrepreneurial mindset is indispensable for navigating the intricate terrain of modern business. Entrepreneurship is fundamentally driven by individuals with an entrepreneurial mindset, which can be described as the belief in one's ability to think innovatively and creatively (Lackéus, 2020).

Hisrich, et al, (2020) outline five dimensions in building entrepreneurial mindsets, including goal orientation, metacognition knowledge, metacognitive experience, metacognitive selection, and monitoring. This entrepreneurial mindset manifests through innovation, creativity, business acumen, and risk-taking (Njeru, 2020). Entrepreneurial innovativeness reflects an organization's willingness to pursue and implement innovation, leading to new products, improved quality, and competitive advantages. Creativity encompasses knowledge, creative thinking, and intrinsic motivation, all of which drive innovative problem-solving. Business alertness is the ability to adapt to rapidly changing market dynamics, providing a competitive edge. Risk-taking is pivotal in entrepreneurial success, as entrepreneurs must perceive and manage risks effectively.

However, in this dynamic and competitive business environment, enterprises must engage in a perpetual cycle of innovation to address evolving customer needs effectively (Chen, et al, 2021). By consistently enhancing their products and services, businesses not only secure their position in the market but also create a solid foundation for long-term success. A proactive approach to product development, grounded in thorough market research and customer feedback, enables companies to stay ahead of the curve and adapt to changing consumer preferences. The pursuit of customer satisfaction remains a driving force behind the entrepreneurial spirit in Nigeria. Some SMEs in Nigeria have stagnated, while others have excelled in areas like product development, customer and job satisfaction. These differing outcomes highlight the need to investigate how the entrepreneurial mindset, especially attributes like innovativeness, creativity, and business alertness, influences SMEs performance in Nigeria.

2. LITERATURE REVIEW

2.1 Entrepreneurial Mindset

Entrepreneurial mindset encapsulates a multifaceted collection of cognitive and behavioral attributes that consistently mark the path to success for entrepreneurs. This mindset embodies a proactive and innovative orientation towards problem-solving. Entrepreneurs, who have embraced this mindset, exhibit a remarkable willingness to venture into uncharted territory, coupled with an innate ability to devise creative solutions to the myriad challenges they encounter. Entrepreneurs, who have embraced mindset, exhibit a remarkable willingness to venture into uncharted territory, coupled with an innate ability to devise creative solutions to the myriad challenges they encounter. Entrepreneurial mindset is characterized by an unwavering drive for achievement. Entrepreneurs are fueled by an unquenchable thirst for success, persistently striving to surpass their own boundaries and societal expectations. They operate within an arena where mediocrity is anathema, and this relentless pursuit of excellence often yields groundbreaking solutions and unparalleled outcomes.

The entrepreneurial mindset is distinguished by a keen sense of opportunity recognition. Entrepreneurs possess an innate ability to discern potential avenues for growth and development in an ever-evolving business landscape. This acute sense of opportunity enables them to seize the moment, leveraging their skills and resources to effectively identify, create, and exploit opportunities, thereby fostering growth and innovation in their respective organizations and the broader business environment. In essence, it is through the entrepreneurial mindset that individuals and organizations alike can navigate the intricate and dynamic terrain of contemporary business, ultimately sculpting their destinies amidst the shifting sands of economic evolution. Some fundamental elements that lie at the core of the entrepreneurial mindset are the willingness to embrace risk, creativity, resilience and adaptability (Baron, 2020; Neck, et al, 2014; Dohse & Walter, 2010).

2.2 Innovativeness and Product Development

Innovativeness is a crucial component of entrepreneurial models as it plays a central role in the creation and growth of new ventures. Innovativeness is the ability to generate and implement novel ideas or solutions, plays a pivotal role in shaping the product development strategies of SMEs (Kraus, et al. 2021). The influence of innovativeness on product development is multifaceted. Managers of SMEs with an entrepreneurial mindset characterized by innovativeness tend to prioritize research and development activities (Iacobucci, 2020). Innovativeness often leads to a greater willingness to experiment with emerging technologies and unconventional ideas, driving the creation of innovative products that meet customer needs and preferences (Ferreira, 2022). In this context, product development acts as a manifestation of the entrepreneurial mindset's capacity to leverage innovative ideas and bring them to market. As SMEs face intensified global competition, the role of innovativeness in product development extends to not only the creation of innovative products but also the enhancement of existing ones (Herrera, 2023). Through continuous product improvement, innovativeness helps SMEs maintain their relevance and adapt to evolving customer demands.

2.3 Creativity and Customer Satisfaction

Creativity plays a pivotal role as a fundamental component of the entrepreneurial mindset, and its influence on customer satisfaction within the context of small and medium-sized enterprises (SMEs). Entrepreneurs who exhibit creative thinking are more inclined to identify innovative solutions, create unique value propositions, and engage in novel approaches to problem-solving (Hitt et al., 2020). These creative entrepreneurs tend to lead SMEs with a distinct competitive edge in the market. Creative entrepreneurs also tend to foster an environment within their SMEs that encourages innovation and customer-centric strategies. In the quest for customer satisfaction, SMEs benefit greatly from creative leadership. The infusion of innovative thinking in product development, marketing strategies, and customer experience enhancement translates to superior customer satisfaction (Eisenbeiss et al., 2008). By fostering a culture of creativity, SMEs align their goals with customer needs more effectively, thereby increasing customer loyalty and the likelihood of repeat business (González-Urbe & Leatherbee, 2018).

2.4 Business Alertness and Job Satisfaction

Business alertness, as a vital element of the entrepreneurial mindset, plays a significant role in shaping job satisfaction within small and medium-sized enterprises (SMEs). This concept is in line with the argument put forth by Baron, et al, (2011), who highlight the importance of entrepreneurs' cognitive abilities, including alertness, in identifying opportunities and mobilizing resources effectively. This heightened alertness allows entrepreneurs to recognize market gaps and adapt quickly, ultimately enhancing the performance of SMEs. Business alertness enables leaders to create an innovative and dynamic work environment, fostering a sense of purpose and autonomy among employees, which, in turn, positively influences job satisfaction. Sheppard and Durkin (2023) point out that entrepreneurs with high levels of business alertness are better equipped to anticipate market changes and make strategic decisions promptly. This proactivity can lead to more stable and prosperous SMEs, creating an environment in which employees feel secure and content in their roles, thereby increasing job satisfaction. The relationship between business alertness and job satisfaction is also intertwined with leadership styles. According to a study by Sharma and Dhar (2022), entrepreneurial leaders who exhibit high business alertness are more likely to be transformational in their approach, fostering an environment of trust, motivation, and job satisfaction among their employees. They empower their teams by involving them in decision-making processes and encourage innovation, which further enhances job satisfaction. This connection underscores the essential role of business alertness in SMEs and its potential to positively impact job satisfaction.

2.5 Conceptual Framework

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

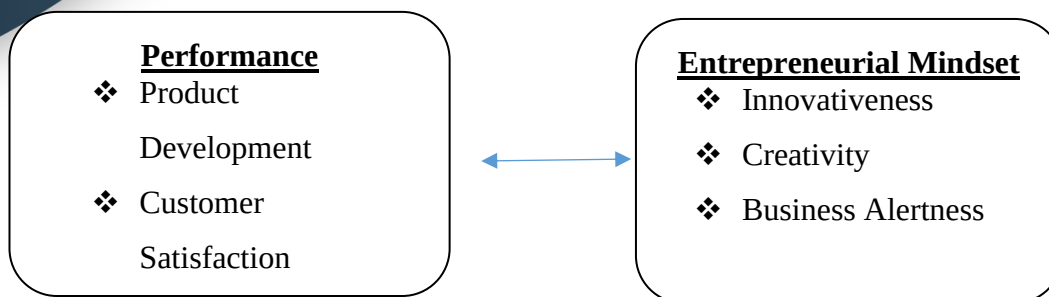


Figure 1. Conceptual Framework

2.6 Theoretical Framework

This study is anchored on Effectuation theory, propounded by Saras Sarasvathy in 2001. This theory posits that entrepreneurs, particularly in the context of small and medium-sized enterprises (SMEs), employ a distinctive decision-making approach. Effectuation theory deviates from traditional causation-based models by emphasizing a more flexible and iterative approach to entrepreneurship (Sarasvathy, 2001). Effectuation theory is founded on five key tenets, which guide entrepreneurial decision-making. These tenets include the principle of affordable loss, which suggests that entrepreneurs should be willing to invest resources that they can afford to lose. The bird-in-hand principle encourages entrepreneurs to leverage their existing resources and networks rather than waiting for perfect opportunities. The lemonade principle underscores the value of adapting to unexpected circumstances and turning them into opportunities. The pilot-in-the-plane principle emphasizes that entrepreneurs can shape their future rather than merely predicting it. Finally, the co-creation principle underscores the importance of involving stakeholders in the entrepreneurial process (Sarasvathy, 2001).

The relevance of effectuation theory in the entrepreneurial mindset of SMEs is significant. This theory encourages entrepreneurs to be more adaptive, risk-tolerant, and resourceful in their decision-making, which can enhance their ability to navigate the dynamic and uncertain business environment. SMEs, often constrained by limited resources, benefit from a mindset that focuses on what they have rather than what they lack. By applying effectuation principles, SMEs can make the most of their current resources and form partnerships to achieve their goals, ultimately improving their performance and competitiveness. The implications of effectuation theory for SMEs extend beyond their internal operations. By adopting an effectual mindset, SMEs can also foster collaboration and innovation, leading to the development of more sustainable and adaptable business models.

3. METHODS

The type of study design adopted in this research is the survey design. In survey research, the researcher selects a sample of respondents from a population and administers a standardized questionnaire to them. The questionnaire or survey can be a written document that is completed by the person being surveyed. The study population was drawn from the selected SMEs in Anambra State, Nigeria. The study conducted a census of all the 206-business owner/managers of the selected SMEs from the target population. Complete enumeration was adopted and so there was no need for sampling as all the selected SMEs were used. A non-probability sampling technique was used. This technique is known as deliberate sampling which gives the discretion of a researcher to explore all available subjects while conducting a study. Primary data was used and was collected using questionnaires. The questionnaire was validated using face and content validity. Reliability analysis run with Cronbach Alpha indicates high internal consistency. 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.

4. RESULTS AND DISCUSSION

4.1 Hypothesis One:

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

Table 1. Result of the correlation between innovativeness and product development.

Correlations			Innovativeness	Product development
Spearman's rho	Innovativeness	Correlation Coefficient	1.000	.727*
		Sig. (2-tailed)	.	.000
		N	206	206
	Product development	Correlation Coefficient	.727*	1.000
		Sig. (2-tailed)	.000	.
		N	206	206

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

Correlation Coefficient (rho) = 0.727

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

The coefficient correlation between innovativeness and product development is 0.727. This indicates strong and positive correlation. The result indicates that innovativeness has a strong positive relationship with product development. This means that any unit increase in the extent of innovativeness leads to about 0.727 unit rise in product development. The study rejected the null hypothesis; thus, it accepts the alternate and concludes that innovativeness has significant influence on product development on small and medium scale enterprises (SMEs).

4.2 Hypothesis Two:

Creativity does not have significant influence on customer satisfaction of small and medium scale enterprises (SMEs).

Table 2. Result of the correlation between creativity and customer satisfaction.

Correlations			Creativity	Customer satisfaction
Spearman's rho	Creativity	Correlation Coefficient	1.000	.860**
		Sig. (2-tailed)	.	.000
		N	206	206
	Customer satisfaction	Correlation Coefficient	.860**	1.000
		Sig. (2-tailed)	.000	.
		N	206	206

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

Correlation Coefficient (rho) = 0.860

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

The coefficient correlation between creativity and customer satisfaction is 0.86 which is positive and very strong. This indicates that there is a strong positive relationship between creativity and customer satisfaction. This implies that a unit increase in the extent of creativity leads to about 0.86 unit rise in customer satisfaction. The study rejected the null hypothesis; thus, it accepts the alternate and conclude that creativity has significant influence on customer satisfaction of small and medium scale enterprises (SMEs).

4.3 Hypothesis Three:

Business alertness does not have any significant influence on job satisfaction of small and medium scale enterprises (SMEs).

Table 3. Result of the Correlation between business alertness and job satisfaction.

Correlations			Business alertness	Job Satisfaction
Spearman's rho	Business alertness	Correlation Coefficient	1.000	.587
		Sig. (2-tailed)	.	.000
		N	206	206
	Job Satisfaction	Correlation Coefficient	.587	1.000
		Sig. (2-tailed)	.000	.
		N	206	206

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

Correlation Coefficient (rho) = 0.587

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

The correlation coefficient is 0.587. This indicates that there is a low positive relationship between business alertness and job satisfaction. This indicates that a unit increase in the extent of business alertness can lead to 0.587 units of increase in job satisfaction. The study rejected the null hypothesis; thus, it accepts the alternate and conclude that business alertness has significant influence on job satisfaction of small and medium scale enterprises (SMEs).

4.4 Discussion Of Findings

The first hypothesis which states that innovativeness does not have any significant influence on product development on small and medium scale enterprises (SMEs) was tested. The Spearman's Correlation was used to test the hypothesis. The result indicates that the coefficient correlation between innovativeness and product development is 0.727. This shows strong and positive correlation. The result indicates that innovativeness has a strong positive relationship with product development. This means that any unit increase in the extent of innovativeness leads to about 0.727 unit rise in product development. The finding of this study agrees with the assertion of Herrera (2023) and Ferreira (2022) whom affirmed that innovativeness has significant influence on product development on small and medium scale enterprises (SMEs).

The second hypothesis states that creativity does not have significant influence on customer satisfaction of small and medium scale enterprises (SMEs). The Spearman's Correlation was used to test the hypothesis. The result indicates that the coefficient correlation between creativity and customer satisfaction is 0.86 which is positive and very strong. This indicates that there is a strong positive relationship between creativity and customer satisfaction. This implies that a unit increase in the extent of creativity leads to about 0.86 unit rise in customer satisfaction. The finding of this study aligned and lend credence to many scholars' findings which affirmed that creativity and customer satisfaction played a key role in firm growth (González-Urbe & Leatherbee, 2018; Eisenbeiss, et al., 2008).

The third hypothesis states that business alertness does not have any significant influence on job satisfaction of small and medium scale enterprises (SMEs). The Spearman's Correlation was used to test the hypothesis. The result indicates a correlation coefficient of 0.587. This indicates that there is a moderate positive relationship between business alertness and job satisfaction. This indicates that a unit increase in the extent of business alertness can lead to 0.587 units of increase in job satisfaction. The finding of this study lends credence to Sheppard and Durkin (2023) and Baron, et al (2011), whom affirmed that entrepreneurs with high levels of business alertness are better equipped to anticipate market changes and make strategic decisions promptly.

5. CONCLUSION

The study has effectively addressed the primary concerns outlined in the research questions, problem statement, and study objectives. Through a comprehensive review, it becomes evident that fostering an entrepreneurial mindset significantly augments the performance of small and medium-sized enterprises (SMEs). Notably, traits such as innovativeness, creativity, and business alertness serve as pivotal markers of an entrepreneurial mindset, contributing substantially to the enhancement

of SME performance. Consequently, acknowledging the indispensable role of an entrepreneurial mindset is imperative for entrepreneurs seeking to elevate the performance of their enterprises. Sequel to the above findings and conclusion, the study recommended that:

1. SMEs need to implement structured innovative programs to foster product development and continuous improvement, encouraging employees to explore new ideas and technologies.
2. Business stakeholders need to encourage an atmosphere that nurtures creativity within small and medium enterprises by providing platforms for idea-sharing, incentivizing innovative thinking among employees, and valuing diverse perspectives to enhance customer satisfaction.
3. Entrepreneurs need to encourage initiatives aimed at increasing business alertness among employees of SMEs, fostering a deeper understanding of market trends, customer needs, and industry changes to boost job satisfaction and performance.

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