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IMPACT OF ENTREPRENEURIAL ACTIVITIES ON ORGANISATIONAL INNOVATIVENESS OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN OSUN STATE, NIGERIA

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ABSTRACT

Purpose. *The entrepreneurial activity has requirements that distinguish it from other professional activities, especially managerial activities and other requirements associated with recognizing business opportunities and engaging in innovative activity. Meanwhile, Entrepreneurial activities have been identified in the literature as drivers of SMEs' growth and development. The study determined the mechanisms by which entrepreneurial activities impact the organisational innovativeness of Small and Medium Enterprises (SMEs) in Osun State, Nigeria.*

Design/Methodology/Approach. *This study adopted a survey research design. The population of this study consisted of three thousand and seven (3007) Owners/Managers of registered SMEs in Osun State, Nigeria. The sample size of three hundred and fifty-three (353) for the study was arrived at using the Taro Yamane formula for sample size. This study employed a simple random sampling technique for the selection of respondents across all the three senatorial districts in Osun State. The primary data used for the analyses were collected from the respondents through the use of a structured questionnaire, and responses were analysed using descriptive and inferential statistics.*

Finding and Implication. *Two hypotheses were proposed and tested. The first hypothesis revealed a significant impact of creativity at ($R^2 = 0.982$, $\beta = 0.1.004$, $t = 90.701$, $p < 0.05$) on SMEs organisational innovativeness and the second hypothesis revealed a significant impact of knowledge transfer at ($R^2 = 0.993$, $\beta = 0.1.012$, $t = 144.459$, $p < 0.05$) on organisational innovativeness. Therefore, policymakers may be encouraged to develop and support policies that promote a creative culture and facilitate knowledge-sharing mechanisms among SMEs.*

Limitations. *The study focuses only on entrepreneurs' creativity, without recognizing the employee creativity. The study was also constrained by the cross-sectional and single-respondent nature of the study.*

Originality. *The claim about measuring performance with organisational innovativeness remains unclear to SMEs in Nigeria because most of the researches were carried out among large enterprises.*

1. INTRODUCTION

Organisations conducting business in the global environment are faced with significant competition. The search for competitive advantage has led to the recognition of innovation as a vital ingredient for survival and profitability. Scholars from different continents around the globe acknowledged the role and contribution of Small and Medium Enterprises (SMEs) to the economic development of every country (Ivan, Milica, and Đorđe. 2018), most importantly in the creation of wealth, new jobs and creation of products and services (Olubiyi, Egwakhe, Amos, & Ajayi. 2019), which promoted the interest of nation's stakeholders on the need to provide a lasting solution to their failure.

Entrepreneurship has a wide range of conceptual approaches, including economics, management, sociology, and psychology. The studies in the economic and management domains attempt to describe and explain the characteristics of SMEs, their contribution to national wealth, the logistical and management aspects of running a business, and so on. On the other hand, sociology uncovers the concept of different factors (values, norms, and rules) on entrepreneurial behaviour, the psychological approach, which is relatively new, seeks to identify the personality traits of businessmen as well as the psychosocial correlates of the traits (Luca, 2017).

The development of a business entails complex interactions between individual variables and external variables. The entrepreneurial activity has requirements that distinguish it from other professional activities, especially managerial activities and other requirements associated with recognizing business opportunities and engaging in innovative activity. However, the characteristics of an entrepreneur are easier to measure than other variables involved in the process of creating a profitable business to successfully manage these activities and face other business challenges, the entrepreneur must have personal characteristics that differ from those of a manager, not only in terms of domain-specific competencies but also, most likely, in terms of personality traits.

Organisations thrive where they have competitive advantages based on efficient and strategic ideas and innovation. Securing adequate strategies that give competitive advantages is a continuous process. Achieving efficiency in stable environments depends on standardized routines, division of labour and management control, which are conventional strategies. However, business environments are dynamic with their unpredictable fast-changing internal and external environments. The dynamic environment in which a business operates provides opportunities for it to grow, develop and create value and wealth.

Meanwhile, improving SMEs' performance has become a global agenda because of discussions involving government support and promotion, sociocultural trends, and the injection of economic capital (Liang 2019). Studies by scholars such as Brandstätter (2011); and Liang (2019) found a positive relationship between

entrepreneurship and personality traits, with entrepreneurs being more confident and outgoing while being less insecure and amenable. Meanwhile, studies focusing on the influence of entrepreneurial activities on organisational innovativeness are limited in the literature (Liang 2019; Ivan, Arsić, and Nikolić 2018), specifically on SMEs in developing countries like Nigeria. Secondly, the claim about measuring performance with organisational innovativeness remains unclear to SMEs in Nigeria because most of the researches were carried out among large enterprises and mainly in developed countries and on just product and process innovation (Nawaz & Khatoun, 2015), ignoring the contributory role of creativity and knowledge transfer on one side and organisational innovativeness on the other side to the entrepreneurship growth and sustainability. Therefore, it has become necessary to examine the modalities by which entrepreneurial activities impact organisational innovativeness in Nigeria

The broad objective of this study is to determine the mechanisms by which entrepreneurial activities impact the organisational innovativeness of SMEs in Osun State, Nigeria. Other specific objectives are to:

- 1 examine the impact of creativity on the organisational innovativeness of SMEs in Osun State, Nigeria
- 2 investigate the influence of knowledge transfer on organisational innovativeness of SMEs in Osun State, Nigeria.

2. LITERATURE REVIEW

2.1. ENTREPRENEURIAL ACTIVITIES

Entrepreneurship has an important role in the long-term economic development and competitiveness of a nation. Entrepreneurship, according to Rukundo, Cyeze, and Emmanuel (2016), is the process of creating something new and valuable through the act of devoting the required time and effort, with the assumption that the financial, social, and psychic risks are available, coupled with the result of personal satisfaction, independence, and monetary rewards. Meanwhile, Nwite (2016) describes an entrepreneur as a person who is willing to start a new business and is willing to accept complete responsibility for the results. Piirala (2012) defines entrepreneurship activities as "the discovery and exploitation of opportunities that result in the introduction of new goods and services." Weiloan (2016) posits that entrepreneurial activities are the process involving entrepreneurial cognition and actions. Meanwhile, for this study, creativity and knowledge transfer were used to measure entrepreneurial activities based on the study of Jovanović, Arsić, and Nikolić. (2018).

2.2. CREATIVITY

Creativity is the generation of unique ideas that provide tasks with a solution through an innovation process to arrive at a better or new product or process in order to derive a competitive advantage in a targeted sector of the economy. Liu, Ip, and Liang, (2018) opined that creativity has been found to have a positive impact on entrepreneurship intentions, mainly in terms of entrepreneurial originality. However, Ip, Liang, Wu, Yin, and Liu (2018) defined creativity as the business capacity to discover and exploit business opportunities for generating and implementing creative ideas, which help establish new ventures or revive existing organisations. Therefore, creativity serves as a motivator for entrepreneurial activities especially when entrepreneurs display high levels of entrepreneurial desirability.

2.3. KNOWLEDGE TRANSFER

Knowledge transfer is a usual norm and it happens indirectly in an organisation, especially when there is a flow of communication between employees, Zhang and Ng, (2012) asserted that knowledge transfer is created by individuals, not the organisation and it doubles when individuals share it with others in an organisation Knowledge transfer is better and productive when there are no intermediaries in the relationship between units in the organisation, and the result is bound to improve business performance if it's well absorbed, used creatively within the organisation. Zamfir (2020) opined that successful organisations are characterised by their ability to improve elements of organisational performance, as this often results from knowledge processes that reflect the nature of leadership and the values of diversity and continuous development. He further stated that the main purpose of knowledge transfer is to discover explicit knowledge that can be effectively transferred between sources and target tasks as well as the balance between the objectives of improving the performance of learning models. As to Wang et al. (2022), knowledge sharing encompasses the exchange of best practices, lessons learned, project updates, research findings, and training materials. According to Wang et al. (2022), knowledge sharing can take place through different means such as meetings, seminars, mentorship, coaching, social networking, online platforms, and papers.

2.4. ORGANISATIONAL INNOVATIVENESS

Organisational Innovativeness is a major element that enhances business sustainability and success in today's competitive environment, also the key to achieving long-term firm goals and objectives. The changing business environment has prompted business owners, managers and researchers to search for new ways to improve organisational capability, productivity and business performance.

Innovation may take different forms, such as product and process innovation, radical and incremental innovation, and administrative and technological innovation. However, an organisation's ability to create such innovations depends on both the financial and non-financial capabilities of the business. Asad, Shabbir, Salman, Haider, and Ahmad (2018) asserted that organisational innovativeness is a key determinant for survival, critical to enhancing market share, improving performance and providing a competitive edge in a competitive business environment. As per Ganguly, Talukdar, and Chatterjee (2019), information exchange is a crucial managerial element for generating innovation. The primary key to organisational learning, as identified by Belinski et al. (2020), is a significant catalyst for building values that drive business excellence and performance through innovation, as highlighted by Azeem et al. (2021).

According to Schumann (1994), organisational innovation can be viewed from two perspectives: the nature of the change and the extent to which it occurs. He further classified the dimension of the nature of innovation into three categories:

a) Product Innovation encompasses all aspects of functions and forms that can be provided to customers and is concerned with how things interact with one another.

b) Process Innovation refers to any change in the way a product is developed, manufactured, and prepared, such as improving the manufacturing process and distribution system.

c) Innovation Procedures include any method by which products and processes are integrated into an organisation's operations, such as improved marketing and administrative methods.

2.5. ENTREPRENEURIAL ACTIVITIES AND ORGANISATIONAL INNOVATIVENESS

Creativity, knowledge transfer and organisational innovativeness are the foundation of organisations' competitive advantage. Therefore, for an organisation to foster creativity and innovation, conventional wisdom and seminal research advocate eradicating constraints for creative minds to flourish (Amabile & Pratt, 2016). Creativity and innovativeness not only promote the development or enhancement of products and services but also new management techniques and technologies are directed towards other organisational functions in an organisation. Zamfir (2020) stated that the survival of organisations in a particular market is linked to the level of performance and, therefore, the organisations that are particularly interested in the issue of performance will remain focused and active in the use of advanced technology that not only speeds up product and service introduction to the marketplace but also strengthens the competitiveness of an organisation in every business environment (Tsao and Chen, 2012). Almerri (2023) stated that Knowledge dissemination serves as a mediator in the correlation between organisational culture

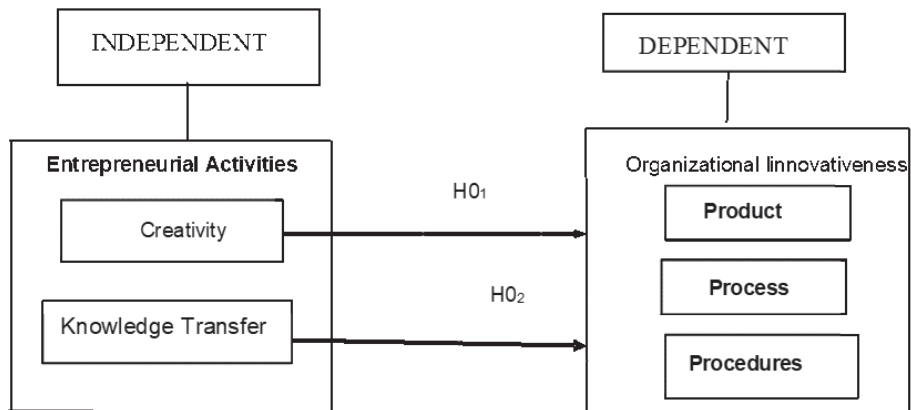
and innovation in small and medium-sized firms (SMEs). It suggests that a society that places importance on sharing knowledge might have a beneficial impact on the ability of small and medium-sized enterprises (SMEs) to innovate. Shahzad et al. (2020) found that fostering a culture in small and medium-sized enterprises (SMEs) that places importance on sharing knowledge can lead to a boost in innovation. Also, there is a need for proper Knowledge management in an organisation to create a sustainable competitive advantage. These initiatives will help to improve business processes simply because they can share best practices through conversations and discussions that can generate valuable knowledge for expected savings and cost reduction.

Meanwhile, existing literature on innovation suggests that creativity is a fundamental driver of innovation. Entrepreneurial activities often involve creative thinking, problem-solving, and the generation of novel ideas. Research in other regions and industries has consistently highlighted the positive relationship between creativity and innovation in organisations. Further, in the contemporary business landscape, the importance of knowledge as a strategic resource cannot be overstated. Knowledge transfer, which involves the sharing and application of knowledge within an organisation, is crucial for adapting to market changes and technological advancements. Therefore, for this study, two hypotheses were formulated;

Ho₁: Creativity does not significantly impact the organisational innovativeness of SMEs in Osun State, Nigeria

Ho₂: Knowledge transfer has no significant influence on the organisational innovativeness of SMEs in Osun State, Nigeria.

Figure 1.: Conceptual Model



Source: Author's Conceptual Framework (2021)

3. THEORETICAL REVIEW

3.1. ENTREPRENEURSHIP INNOVATION THEORY

Joseph Schumpeter (1949) defined entrepreneurs as innovative and creative individuals with foresight in a given economy to help in the process of development of the economy through the creation of goods and services. Schumpeter stated that innovation is the art of introducing a new product new production system, or new market, discovering a new source of raw materials or introducing a new business into a particular industry by the entrepreneur. However, Schumpeter's entrepreneurs are, essentially, large-scale businessmen/women which is common in advanced economies contrary to classes of entrepreneurs common in developing countries who rather imitate than innovate to survive.

3.2. KNOWLEDGE-BASED THEORY (KBT)

Knowledge is a specific and special resource at the heart of the firm. Curado (2006) opined that a firm is a body of knowledge and sees the Knowledge-based theory (KBT) of the firm as an extension of the resource-based theory. The theory states that an organisation exists to create, transfer and transform knowledge into a competitive advantage. Lewin (2000) indicates that knowledge is an intangible heterogeneous and difficult-to-imitate resource made up of different types of different levels of the organisation, and likened to organisational performance. Therefore, the Entrepreneurship Innovation Theory is selected as the anchor theory for this study because its perspectives are tied to the focus of the study and explain when and how creativity and innovation occur to achieve innovativeness and enhance a firm superior performance.

3.3. EMPIRICAL REVIEW

In their study, Almerri (2023) examined how information sharing influences the connection between organisational culture (including values, norms, symbols, rituals and ceremonies, language, and climate) and innovation in small and medium-sized firms (SMEs) in Kuwait. A quantitative methodology was employed to send a questionnaire to a suitable sample of 339 HR managers and executives in small and medium-sized firms in Kuwait. The study revealed that the impact of information sharing on the connection between organisational culture and innovation is based on the degree to which knowledge sharing can influence the level of support for innovative practices within the organisation's culture.

Zamfir (2020) examined and identified the impact of knowledge sharing on organisational performance with a sample size of 100 people working in a certain

shared services centre. The study also analyzed the importance of having a solid base of information to achieve excellent organisational performance. The study revealed that knowledge transfer has an impact on the company's vision, continuous learning and business performance. The study concludes that the way knowledge is managed in a company is crucial to gaining a competitive advantage.

Indriastuti's (2019) empirical study analysis was on entrepreneurial innovativeness, relational capabilities, and value co-creation to enhance the marketing performance of SME (Small and Medium Enterprise) apparel fashion industries in Central Java, Indonesia. Data sampling was adopted using the purposive sampling technique involving 150 respondents, with the use of a questionnaire. The data analysis employed Structural Equation Modelling (SEM) with AMOS program assistance. The result of the study revealed that relational capabilities have a significant effect on value co-creation. The study concludes that value co-creation can mediate the gap between relational capabilities and marketing performance.

The study of Domi, Keco., Capelleras., and Mehmeti (2019) empirically investigate the interplay of innovativeness, innovation behaviour and SMEs' performance indicators. The study used face-to-face techniques and data for 211 valid cases using SEM statistical methodology. The results indicate that innovativeness significantly affects innovation behaviour. While innovativeness does not affect SMEs' performance directly, its significant effects are indirect, through the mediation role of innovation behaviour.

Ayepa, Boohene, and Mensah (2019) examined the effects of innovativeness and firm resources on the growth of small enterprises in the Ga South Municipality in Ghana. The study employed a quantitative approach using a cross-sectional design with a sample size of 188 registered SMEs, selected from a population of 368 using a Simple random sampling technique. The study revealed that innovativeness and firm resources both affected the growth of small enterprises and. concluded that SMEs should be more innovative, and reinforce and maximise the effective use of resources to enhance growth.

4. METHODOLOGY

A survey research design was employed to investigate the impact of entrepreneurial activities on organisational innovativeness among selected SMEs in Osun State, Nigeria. The population consists of small and medium-sized enterprises in Osun State, which comprises 3007 SMEs (SMEDAN, 2017), representing 4.1% of the total of the 73,081 SMEs in Nigeria. The justification for the adoption of SMEDAN (2017) figures was that it is the most current and reliable database for SMEs in Nigeria.

On the determination of the appropriate size that represents the total population, Taro Yamane was used to derive the sample size. This was determined by applying the Taro Yamane formula as is the standard method of randomization and identifying

the limits of errors considered as the most essential items in the survey. This helps the researcher obtain the sample and use the results to make sampling decisions based on the data.

The Yamane formula is commonly used for determining the sample size in a finite population. The formula is given by:

The Yamane formula is commonly used for determining the sample size, and the formula is given by:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n is the sample size.

N is the population size.

e is the desired level of precision (expressed as a proportion).

Let's assume a 95% confidence level, which corresponds to $e=0.05$, and the population size is $N=3007$.

$$n = \frac{3007}{1 + 3007 \cdot 0.05^2}$$

$$n = \frac{3007}{1 + 3007 \cdot 0.025}$$

$$n = \frac{3007}{8.5175}$$

$$n \approx 352.85$$

So, according to the Yamane formula, a sample size of approximately 353 would be appropriate for a population of 3007, with a desired precision level of 0.05 (95% confidence level). population.

This study adopted a simple random sampling technique, which belongs to the probability sampling technique, in which every member or element in the population for this study has an equal chance or opportunity of being selected to participate in the study based on random selection. This was the stage of randomly selected and distributed questionnaires to registered SMEs in Osun State, Nigeria.

The researcher adopted the use of primary data with the use of structured questionnaires disseminated to randomly selected Owners/Managers of Small and Medium Enterprises (SMEs) across all the 3 senatorial districts in Osun State, Nigeria during their typical working hours. Questionnaire items were adapted from related past studies with modification and validation to fit into the current research. The devised instrument was constructed utilising a 5-point Likert-type scale

ranging from “strongly agree” to “strongly disagree.” The rationale for selecting this particular design is based on its expeditious and efficacious approach to instrument design.

5. MODEL SPECIFICATION

Based on the review of relevant literature, the model for the study is stated to capture the two major variables.

Where:

Dependent variable = Organisational Innovativeness (OI),

Independent variable = Entrepreneurial Activities (EA).

EA and IO variables are operationalized into mathematical equations as

$$Y = f(x),$$

y represents the aggregate of dependent variables,

x represents the aggregate of independent variables.

X = (x₁, x₂), x₁ = Creativity(CR), x₂ = Knowledge Transfer(KT)

Functional relationships

$$Y = f(X)$$

$$Y = f(x_1) \dots \dots \dots \text{obj. i}$$

$$Y = f(x_2) \dots \dots \dots \text{obj. ii}$$

Regression Model

$$Y = f(x_1)$$

$$OI = f(CR)$$

$$Y = \alpha_0 + \beta_1 x_1 + \mu$$

$$OI = \alpha_0 + \beta_1 CR + \mu_i \dots \dots \dots \text{equation 1 for obj. i}$$

$$Y = f(x_2)$$

$$OI = f(KT)$$

$$Y = \alpha_0 + \beta_2 x_2 + \mu$$

$$OI = \alpha_0 + \beta_2 KT + \mu_i \dots \dots \dots \text{equation 2 for obj. 2}$$

Where α = the constant of the equation

β_1 = the coefficient of variables in the equations;

μ = the stochastic function that accounts for the errors that may arise in the equation.

6. RESULTS AND DISCUSSION

I. Ho₁: Creativity does not significantly affect the organisational innovativeness of SMEs in Osun State, Nigeria

Table 1: Summary of the regression analysis of the impact of creativity on organisational innovativeness of SMEs in Osun State, Nigeria

	Sum of square	df	MODEL	β	Sig.	T	ANOVA (Sig)	R ²	Adjusted R ²	F
Regression	266.38	1	Constant	0.062	0.21	1.26	0	0.982	0.964	8226.74
Residual	9.81	303	Creativity	1.004	0	90.7				
Total	276.19	304								

Notes: Predictors: (Constant), Creativity; Dependent Variable: Organisational Innovativeness. Source: Author's Computation (2021).

The model summary in Table 1 gives the results of the analysis with an R² value of 0.982. This indicates that creativity explained 98.2% of the changes in organisational Innovativeness of SMEs in Osun State. Therefore, the model met the fitness and robustness criteria for the analysis. The table equally provides the results of the regression analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. This was supported by an F statistic of 8226.742 and the p-value was 0.000 less than the conventional probability of a 5% level of, significance.

The results also show that creativity has a significant impact on the organisational Innovativeness of SMEs in Osun State at $\beta = 1.004$, $t = 90.701$, $p < .05$. This implies that a unit change in creativity leads to a 100.4% change in organisational Innovativeness of SMEs. The t-statistic of 90.701 and p-value of 0.000 shows that at a 5% level of significance, the null hypothesis (H₀₁) was rejected and the alternative hypothesis accepted, implying that creativity has a significant impact on organisational Innovativeness of SMEs in Osun State, Nigeria. The results are consistent with Jovanović, Arsić, and Nikolić (2018) assertion that creativity and innovation affect the performance of the SMEs sector.

Ho₂: Knowledge transfer has no significant influence on the organisational innovativeness of SMEs in Osun State, Nigeria.

Table 2: Summary of the regression analysis of the impact of Knowledge transfer on organisational innovativeness of SMEs in Osun State, Nigeria

	Sum of Square	df	Mean Square	Model	β	Sig.	T	ANOVA (sig.)	R ²	Adjusted R ²	F
Regression	272.23	1	272.23	Constant	-.048	0.129	-1.52	0	0.993	0.986	20868.32
Residual	3.95	303	0.013	KT	1.012	0	144.46				
Total	276.19	304									

Notes: Predictors: (Constant), Knowledge transfer; Dependent Variable: Organisational innovativeness. Source: Author's Computation (2021).

The model summary in Table 2 gives the results of the analysis with an R² value of 0.993. This indicates that knowledge transfer explained 99.3% of the changes in the organisational Innovativeness of SMEs in Osun State. Therefore, the model met the fitness and robustness criteria for the analysis. The table equally provides the results of the regression analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. This was supported by an F statistic of 20868.320 and the p-value was 0.000 less than the conventional probability of 5% level of significance.

The results of the coefficients also revealed that knowledge transfer has a significant impact on the organisational innovativeness of SMEs in Osun State at $\beta = 1.012$, $t = 144.459$, $p < .05$. This implies, that a unit change in knowledge transfer leads to a 101.2% change in organisational' innovativeness of SMEs. The t-statistic of 144.459 and p-value of 0.000 shows that at a 5% level of significance, the null hypothesis (H_{02}) was rejected and the alternative hypothesis accepted, implying that knowledge transfer has a significant impact on the organisational' innovativeness of SMEs in Osun State, Nigeria. The result also reaffirms the findings of Zamfir (2020) that knowledge transfer has a significant impact on the business performance of an organisation.

7. LIMITATIONS AND FUTURE RESEARCH

This study has two research limitations that suggest directions for future studies.

First, this research focuses only on entrepreneurs' creativity, without recognizing employee creativity. Future studies can build on our findings to investigate how employee creativity influences the organisational innovativeness of SMEs.

Second, the study was constrained by the cross-sectional and single-respondent nature of the study. Future studies should also try multiple respondents from each SMEs business to improve the data validation of the studies.

8. CONCLUSION

The goal of this study was to investigate the impact of entrepreneurial activities on the organisational innovativeness of SMEs in Osun State, Nigeria. An analysis was conducted and the findings from the analysis highlighted the role of entrepreneurial activities in organisational performance. Furthermore, the study concludes how entrepreneurial activities, such as creativity and knowledge transfer, impact organisational innovativeness. Therefore, entrepreneurs must develop a creative mind to achieve organisational innovativeness, since creativity is a personality trait that could be developed and nurtured by the entrepreneur. In addition, entrepreneurs must encourage a greater transfer of knowledge and practices as an organisational rule and procedure by recruiting and developing Managers with a knowledge-transfer mindset to improve business performance.

Policymakers may be encouraged to develop and support policies that promote a creative culture and facilitate knowledge-sharing mechanisms among SMEs. Therefore, funding may be allocated to support the implementation of policies that encourage and facilitate entrepreneurial activities that enhance both creativity and knowledge transfer.

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