

Entrepreneurial culture and growth of knowledge intensive business services in Minna, Niger State, Nigeria

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Abstract

Knowledge-Intensive Business Services (KIBS) are entrepreneurial firms perceived to imbibe entrepreneurial culture to enhance growth. Therefore, this paper investigates the impact of entrepreneurial culture on the growth of KIBS in Minna metropolis. The study addressed three null hypotheses which focus on employees' rewards, informality and innovativeness. It is a quantitative study that employs survey research design using a self-structured questionnaire on a five-point Likert scale based on previous studies. The validity and reliability of the instrument was carried out. A purposive sampling method was used to obtain the sample size for the study. The data was analyzed using descriptive and inferential statistics. The study found that employees' reward and innovativeness have significant positive effect at 5% level of significance on KIBS firms' growth in Minna Metropolis. It therefore recommends that KIBS firms should focus more on people and empowerment to enhance entrepreneurial culture. Moreover, capacity building programme such as conferences, seminar, training and workshops should be a regular feature for KIBS owners/managers by relevant professional bodies on entrepreneurial culture in order to improve entrepreneurial practices such as employees reward and innovativeness for firm growth.

Keywords: Entrepreneurial culture, innovativeness, informality, reward, growth, Knowledge Intensive Business Services (KIBS).

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Received: 2018/11/05

Accepted: 2019/01/07

DOI: <https://dx.doi.org/10.4314/njtr.v14i2.13>

Introduction

Over the past decades, a number of scholars and commentators (Powell & Snellman, 2004; Muller and Dolleurox, 2007; Strambach, 2008; Aberg, Kazemergi and Bankewitz, 2017) have argued that the leading edge of the economy in developed countries has become driven by technologies based on knowledge and information production, distribution and usage. These new technologies which emerged in the late 1950's, expanded with the proliferation of personal computers and the wide spread of emails and internet facilities. They also have considerable potentials to reform the nature of work and the economy (Powell and Snellman, 2004). Nevertheless the understanding of the purported knowledge economy remains rather hazy, clouded by enthusiasts who are quick to offer definitions and assessments with less attention to evidence.

A knowledge-based economy is an economy that relies primarily on the use of knowledge and application of technology rather than exploitation of normal factors of production by individuals, enterprises, organizations, and communities to promote economic and social development (World Bank Institute, 2001). The knowledge-based economy is transforming the traditional business environment into an entrepreneurial environment throughout the world. In industrial countries, where knowledge-based industries are expanding rapidly, labor market

demands are changing accordingly as the demand for high-skilled workers particularly in information and communication technology (ICT) is increasing, congruently, the demand for low-skilled workers is declining (OECD 2001).

On the other hand, Nigeria fully joined the move to a knowledge-based economy when the necessity for a National Information Technology (NIT) became more obvious after the participation of the Nigerian delegation in the first African Development Forum on the challenge of Africa on globalization in the information age held in Addis Abba in October 1999. As a result, a national workshop on the National Information and Communication Infrastructures was held in Abuja in March 2000. Prior to the policy formation, the Nigeria business environment has been subjected to the traditional way of business operations. The guiding directives in this traditional business culture has been to adhere to given instructions, no room for mistakes, zero tolerance for failure, no place for independent acts but wait for instructions, stay within your territory, and protect your backside (Kuratko and David, 2008). However, the paradigm shift in the business operation from a traditional style brought about awareness in the existence of Knowledge Intensive Business Services (KIBS) in Nigeria.

Strambach (2008) defined KIBS firms as 'knowledge-producing, knowledge-using and

knowledge-transforming industry that uses knowledge-based methods to present itself as 'drivers of knowledge dynamics in multilevel contexts.' They differ from general service firms because of the knowledge intensity, project-based business structure, and interactive process of consultancy and dedicated Research and Development (Muller and Dolleurox, 2007). These firms are categorised into traditional professional services (P-KIBS e.g. Accountancy, management, law etc.) and technological-based services (T-KIBS like engineering etc.) and Computer-based (C-KIBS- like computers, software's). They emerge as a powerful sector with rising significance in both the developed and developing economies since the 1980s (Adeyeye and Adepoju, 2015). They are innovative firms which are perceived to employ entrepreneurial culture as part of the organizational vision in order to grow.

Entrepreneurial culture has been argued to be a powerful force within organizations to enhance the innovative abilities of employees, fuel a desire for firm growth, provide opportunity to fail and try again, encourage a broad array of new ideas and experimentation, and develop organizational learning abilities with a focus on markets. Entrepreneurial culture focused on innovation, and very essential in this era of high competitiveness thereby leaving the firms with no option to be entrepreneurial or die (Kuratko and David, 2008; Kuratko, Morris and Covin, 2012).). In entrepreneurial culture, creativity and novel ideas are encouraged, taking of risk is projected, failure is endured, learning is promoted, product, process and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities (Benedict, 2012). Such culture enhances a company's success by supporting and empowering people for innovations. It is the ground on which the seed of entrepreneurship germinates (Muller and Dolleurox, 2007). However, a number of studies currently exist on KIBS because of its growing significance in the economies but none of the available studies explore the entrepreneurial culture and growth of KIBS in Minna metropolis, Nigeria (Strambach, 2008; Adeyeye and Adepoju, 2015), hence the need for this investigation. This study aims at investigating the impact of entrepreneurial culture on the growth of KIBS in Minna

metropolis. In doing this, three null hypotheses were formulated and tested at 5% significant level. The hypotheses are stated below:

Ho₁: Employees' rewards has no significant effect of on the growth of KIBS in Minna metropolis.

Ho₂: The act of informality has no significant impact of on the growth of KIBS in Minna metropolis.

Ho₃: Innovativeness has no significant effect on the growth of KIBS in Minna metropolis.

Materials and Methods

A quantitative approach, using the survey method was adopted for the study. The unit of analysis is the firm level. However, due to poor documentation in developing economies, a comprehensive sample frame could not be gotten for the study from the Corporate Affairs Commission, Abuja and Niger State hence, an accessible sample from the various KIBS available in Minna Metropolis was selected. Minna was chosen as the context for the study due to its urbanization as the capital city of Niger state and being in the middle belt with the spillover effects of Abuja the Federal Capital territory of Nigeria. Purposive sampling technique was adopted in order to select a group of subject for the study from the population. The city was divided into 10 groups of which 15 KIBS were chosen amounting to 150 KIBS as sample size. A self-structured 5-points Likert scale was adapted from previous studies (Strambach 2008; Adeyeye, 2013). There are five sections: The demographic data, Growth, Reward, Informality and Innovativeness. The face and content validity was carried out while the reliability test was done through test re-test and 79% Pearson Moment Correlation coefficient.

The variables used in the study were measured as stated below: Growth, the dependent variable can be measured through sales turnover, profitability, market share, capital base and size (number of employees). For this study, size (number of employees) was used to measure growth of KIBS firms in Minna for 5 consecutive years (2013-2017). The firm's growth is determined by comparing the number of employees captured in the first and the last year. If the number of employees at the present year is greater than that of the initial year, a binary variable of '1' and '0' was employed. "1" for an increase in number of

employees and '0' for a reduction or equality to the base year.

The independent variables used to measure entrepreneurial culture are employee's reward, informality and innovativeness. Each of the variables have 5 items to which respondents were to tick within the range of 5 to 1 with the highest score 25 and the lowest score 5.

Results and Discussions

Descriptive Statistics

This analysis was based on survey data collected in Minna. The summary of the study shows that about two-thirds of the respondents were males, an uneven distribution of gender, a characteristic observed in Lagos KIBS with men three-fourths by Adeyeye (2013). Gender inequality and education has persisted as a serious issue both in education and developmental discourse in Nigeria as included in the Sustainable Development Goals. This supports SAWEN (2005) claim that women entrepreneurs in Africa are more into starting trade, school or hospital related firms rather than technological sectors, probably because of the stress in establishment and the need for regular innovation to remain entrepreneurial and grow. Approximately two-fifths of the KIBS respondents are within the working class of 18-29 years. They are well-educated products of tertiary institutions that are enthusiastic and agile graduates that strive to make a living. They can be well innovative if all protocols are loosely handled. One-half are employees in KIBS, working for sole proprietors because three-fifths of the samples are sole proprietors with about 1-10 employees. This implies that KIBS in Minna Metropolis are micro business firms which are typical of start-ups (GEM, 2017).

Inferential Statistics

Multiple Linear Regression Model

Multiple Linear Regression is the most widely used statistical tool for the analysis of quantitative data. Therefore to test the multiple effect of entrepreneurial culture on growth, a multiple regression analysis was used.

The regression model for the study is as follows:

$$EC = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where β_0 = Constant

$\beta_1 X_1$ = Employees Reward; $\beta_2 X_2$ = Informality;

$\beta_3 X_3$ = Innovativeness; e = error term

Table 1: Regression analysis result

<i>Variables</i>	<i>Model</i>
<i>Employees' Reward</i>	.182 (2.381)**
<i>Informality</i>	. .050 (.660)
<i>Innovativeness</i>	.340 (4.432)**
<i>R</i>	.418 ^a
<i>R square</i>	.175
<i>Adjusted R Squared</i>	.158
<i>F value</i>	10.322**

**p<0.01,*0.05, t value in parenthesis *Source: Authors' Field Study, (2017)*

Table 1, above shows the multiple linear regression analysis result between entrepreneurial culture variables and KIBS firm growth. There is significant positive relationship between entrepreneurial culture and growth. The R-square shows that the model explained 17.5% of the total variance as a whole while other variables not included in this model explained 82.5%. The F (10.322) shows a good model fit. The result is highly significant at $p < 0.1$, therefore two null hypotheses are rejected while informality is not significant.

The result shows that employees' reward has a positive effect on the growth of KIBS which is significant at 0.05 level of significance. The result indicates that a unit improvement in employees' reward will lead to 0.18 unit increase in the growth of KIBS in Minna Metropolis. Based on this finding, the null hypothesis which states that employees' reward has no significant effect on the growth of KIBS in Minna Metropolis was rejected. This is in support of Kwenin, Muathe and Nzulwa (2013) that reward systems are very crucial to organisation as mechanisms that make things happen because management cannot just alter the culture but culture changes when the people's behaviour and actions has been successfully altered (Kuratko

et al., 2014). Reward for innovation may be monetary or non-monetary like awards and other forms of recognition, promotions, reassignments, vacations or simple thank you and a handshake. When employees are rewarded they get work done better. The finding of this study also confirms Nikolov and Urban (2013) submission that incentives are great way of rewarding efforts and behaviours which the organisation wishes to encourage. For instance, a reward to an employee for a unique solution for a client's project, encourages the employee's to be more committed to customer's satisfaction. Consequently, the clients are satisfied and retained, and such clients become an instrument of publicity in introducing new clients to the firm. Old clients will abide and new ones will be coming, as a result, more employees will be needed and more branches of KIBS firms will be created, which is tantamount to firm growth. When employees' in KIBS good acts are rewarded, they get work done enthusiastically.

The result also shows that the entrepreneurial culture of informality has no significant impact on KIBS firm growth in Minna Metropolis at 5% significant level. The result indicates that a unit improvement in entrepreneurial culture of informality will positively but insignificantly impact KIBS' growth in Minna Metropolis by 0.34 units. Since this impact is not significant at 0.05 level of significance, the null hypothesis which states that entrepreneurial culture of Informality has no significant effect on the growth of KIBS in Minna Metropolis was retained. The finding of this study is different from prior expectations and also contradicts Kuratko *et al* (2005) which holds that informality breaks every bureaucracy and protocols that may affect entrepreneurial culture by allowing freedom to innovate and access to the authorities concerned at any time. However, this may be due to the micro and small-sizes of most of the KIBS firms in Minna as the descriptive analysis showed that three-fifths of the sample are sole proprietors with about 1-10 employees. This probably gives every staff access to the leadership when there is need for innovative consultation and decision making without any protocol. Although the findings of this study are similar to some previous studies, however, the originality is that the variables under

consideration have not been studied. Innovativeness and employees reward is very significant to entrepreneurial culture. Moreover, the findings also show that entrepreneurial culture is significantly related to micro and small firms and not only corporate firms (Adeyeye, 2016).

Finally, the result also reveals that innovativeness positively and significantly affects KIBS' growth in Minna metropolis at 5% level of significance. Thus, the null hypothesis that KIBS firms that imbibe innovativeness into its culture will not experience growth was rejected. Innovation must be championed by an individual or team that is skillful and committed to driving the entrepreneurial event, irrespective of the obstacles and length of the process. It is the combination of individual initiatives and spirit of cooperation for innovation (Kuratko *et al*, 2012). This is in consonance with the assertion that innovation is the core of entrepreneurship (Reguia, 2014) and a firm that does not innovate will decline and die (Kurtako and David, 2008; Adeyeye and Adepoju, 2015). Hence, innovation is a vital culture to imbibe by employees for KIBS firms to remain entrepreneurial. However, Schumpeter's innovation theory that includes product/service, process, market, resources and organisation, explains the unlimited scope of innovativeness that an individual can be involved. Thus, the P- KIBS, T- KIBS and C- KIBS in this sample has inculcated every form of innovativeness into its culture and consequently have an impact on the size-growth of the KIBS firms in Minna metropolis.

The growth of KIBS can be greatly attributed to its knowledge level since they are business services that are highly knowledge-based in nature and innovative-based according to Schumpeter's theory of innovation, which is opposite to a regular business routine and procedures (Muller & Doloreux, 2007). Moreover, taking into consideration the acceleration of technological changes, it is relevant for KIBS to invest in knowledge base at all levels and encourage employees' rewards and innovativeness as organisational culture in order to cope with modern changes.

Conclusion and Recommendations

This study has investigated a unique innovation perspective of entrepreneurial culture on the size growth of KIBS firms' in Minna Metropolis. The overall result in answering the research questions indicated that entrepreneurial culture of employees' reward and innovativeness has significant positive effect on KIBS firms' growth in Minna Metropolis but the culture of informality is insignificant. This study contributed originally to literature on entrepreneurship and innovation in developing economies by identifying that employees reward and innovativeness can promote entrepreneurial culture in this context as it differs from other economies. Therefore, the study recommends that KIBS firms should focus more on people and empowerment to enhance entrepreneurial culture. Moreover, capacity building programmes such as conferences, seminar, training and workshops should be organized for KIBS owners/managers by relevant professional bodies on entrepreneurial culture in order to improve entrepreneurial practices such as employees reward and innovativeness. This will facilitate a healthier entrepreneurial climate and environment for KIBS firms' growth in Minna Metropolis.

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