

***DYNAMIC RELATIONSHIP BETWEEN SUSTAINABLE ENTREPRENEURSHIP AND  
VALUE CREATION BY SMEs IN AGEGE LOCAL GOVERNMENT OF LAGOS,  
NIGERIA***

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***Abstract***

*This paper aims at investigating empirical study of the dynamic relationship between sustainable entrepreneurship (economic and technology performances) and value creation (product development, quality improvement) by small and medium enterprises in Agege local government area of Lagos State, Nigeria. This paper develops and solve the problems of research gap on relationship between sustainable entrepreneurship and value creation. Data were collected from 50 SMEs owner (respondents). Chi-square analysis was used to test the hypotheses, and there is a positive relationship between sustainable entrepreneurship and value creation which resolve the ongoing debate between the sustainable entrepreneurship and value creation controversy.*

***Keywords:*** *Sustainable Entrepreneurship, Value Creation, Small and Medium Enterprises, Employment Opportunity.*

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## **1. Introduction**

Small and Medium Enterprises (SMEs) appear to be the oldest, commonest and simplest form of business across the globe that largely cover the gap of unemployment, creating wealth for individual, group of individual and improve the survival level of both developed, emerging and developing economies. SMEs make up of 90% of businesses more than 50% of employment opportunity to the crowded population (World Bank, 2019).

Governments, citizen and scholars are fully involved in raising new generation individual and group of individual to resolve the persistent problems of unemployment and drastically reducing the level of poverty across the globe, most especially in developing economies by facilitating and utilization of untapped idea, resources and knowledge. It is therefore, plausible that every economy is focused on making SMEs grow, most especially in emerging and developing economies like Nigeria, China and others.

Ariana & Amalia, (2019); Singh, Garg & Destumukh, (2010) and Chen, (2006) confirmed the growth of SMEs in both America and China. For America, SMEs account for 99.7% of United State employer firms, 98% of the companies exporting goods and 48.5% of private sector employment. However, China with the available evidence depicted that the growth of SMEs between 1998 and 2013 increase the rate of employment opportunity to the tune of absorbing 19 million state owned laid off staff. SMEs become a major driving force of Job creation and employment. The SMEs sector was able to generate 82% of employment output value, contributed 40% share of marketing exports that shows growth prospective for Chinese SMEs in the world market.

In Nigeria, Slight different is experiencing, unemployment is one of the main challenges facing the economy just as it happens in other developing/emerging economies, though Nigeria case could be traced to the oil boomed of 1970s that made Nigeria to become mono-product economy. The oil price fluctuation in the world market and high debt profile couple with high rate of non-sustained entrepreneurship affect Nigeria as a country, despite that, the current statistics revealed that SMEs contribute up to 48% on average to Real Gross Domestic Product (RGDP) for the last five years, which shows that about 17.4 million enterprises accounts for approximately 50% of industrial jobs and nearly 90% of activities in the manufacturing sector (National Bureau of Statistics, 2017).

SMEs represents the next phase of Nigeria economic growth based on the current statistical analysis, it will also improve the balance of trade indices through increasing in export rate of the economy. Therefore, research shows that most SMEs in Nigeria do not survive more than five years of operation in which might be difficult for Nigeria economy to be improved.

In developing countries, emerging and developed economies, sustainable entrepreneurship are possibly influence by value creation. an entrepreneurial undertaking is said to be sustainable if it sustains its past profit level and continue to grow without inhibiting its own ability of other bodies from achieving their corporate goals and objectives. A sustainable venture is running by an enterprise, if such enterprises are able to meet its short-term financial obligations (Bansal & Desiardine, 2014).

Business enterprises foundation appears to be the value creation because its main reason of creating business.

The main objective of this study is to evaluate the dynamics relationship between sustainable entrepreneurship and value creation by SMEs with special reference to Agege Local Government area of Lagos state in Nigeria. While the specific objectives are; to examine the influence of sustainable entrepreneurship (economic performance) on value creation (product development) and to investigate the impact of sustainable entrepreneurship (technological performance) on value creation (quality improvement) by SMEs in Agege local government area of Lagos, Nigeria. This research contribution is focused on how value creation (product development and quality improvement) explain sustainable entrepreneurship (economic and technology performances) of SMEs in Agege local government area of Lagos, Nigeria.

## **2. Literature review**

### **Entrepreneurship and SMEs**

Entrepreneurship and small businesses are referring as the basics of economy because innovations came as a breakthrough in which influence the growth of a free market economy with the performance in general (Iyigun & Keskun, 2015). Furthermore, entrepreneurship as a concept was design as bedrock of the business establishment, which makes people, uses their capital as start up. Entrepreneur existence and function have been on notice for a long time. The first to introduce the contemporary study of entrepreneur is Schumpeter's which also

define entrepreneurs as innovations that used a process of shattering all the status of previous good and services in setting up new products and new services” (Sahin & Asunakutlu, 2014).

This view is also in accordance with Eckhardt and Shane (2003) they makes the extension of the entrepreneurial function and which makes the inclusion of the identification, having the assessment and making exploitation of opportunities to make development and make use of the right strategies to make optimization use of resources.

Reynolds (2005) focused on the concept of entrepreneurial; it has several opportunities that come with the concepts of having new economic and activities that is through the process of the establishment of new organizations. Eckhardt and Shane (2003), in their view they referred entrepreneurship as the process that passes through the identification and appraisal of opportunities. in which choice in this process of the exploitation sell them with different efforts which is put in so as to acquire resources also the ability of developing the right strategy and the making and bringing up of new design for the project.

Entrepreneurs also deals with the construction of rules in order to bring about new products and make establishment of efficient and effective processes, which about the different innovations processes which results in the developing new markets and helps in giving shapes to the norms and beliefs (Chiasson & Saunders, 2005).

Entrepreneurship importance comes in a way that gives enhancement of innovation and responsiveness of businesses, this increase the level of the productivity and results to improvement on the structure of the cost in relation to the trade performance. Harper (2003) emphasis on the spirit of entrepreneurial and brought out self-manifestation while developing new markets, products and introducing of new ways in production and management, also the self-discovery of severe various imputes which are used in the establishment of various new businesses and organizations.

### **Sustainable entrepreneurship**

Katsikis and Kyrgidou. (2007) in their definition for Sustainable entrepreneurship they said it is a process which technologically helps in the ascertainment of sustainable development, in which is done by the process of discovering, evaluating and exploiting of different opportunities so as to create value that helps the production of economic prosperity, social cohesion and environmental protection. Furthermore, Crals and Vereeck, (2004) explained that

Sustainable entrepreneurship happened to be continuous commitment towards businesses so as to behave ethically, increase the development of economic and making sure there is improvement in the standard of living of the workers.

Hockerts and Wüstenhagen, (2010) revealed that sustainable entrepreneurship refers to as a medium of discovering and making of exploitation of economic opportunities. This can come as general disequilibrium in the market, it also brings about initiation and transforming of the sectors in order to achieve a sustainable social and environmentally state. Entrepreneurship was globally accepted as a process in which people makes discovery, creation and exploitation of different business opportunities (Venkataraman, 1997).

### **Why Do SMEs Need the Adoption of Sustainable Entrepreneurship?**

It took longer time before the SMEs business owners realize the need to adopt and integrate sustainable entrepreneurship actions into their businesses. Koe, Omar and AbdulMajid, (2014) pinpointed that SMEs owner-managers are realizing positive attitude towards sustainable entrepreneurship in which made them believed that they possessed the ability which is needed for the entrepreneurship actions a success.

Koeet *al.*, (2014) according to him postulated one of the best ways in motivating SMEs owners in other to adopt sustainable entrepreneurship is by networking. This make the ability to partner with other stakeholders most especially the environmental support authorities, industry associations, NGOs, donor agencies, customers, suppliers and socially concerned groups possible. With the help of networking, the SMEs might access sustainable opportunities easily and gain attraction and support from the government, which can be by training, or funding in which is another important tool for sustainability actions.

More also, having network with the members will help in the reduction of pressure which was placed on the SMEs owners, this innovative actions can help in the promotion of the environmental and social value conservation (Wahga, Blundel & Schaefer, 2017). The support that was gotten from the top members can help in increasing the adoption of sustainable entrepreneurship (Koeet *al.*, 2014). In addition, their managements should develop the aim, goals and the employees of SMEs, which can carry out objectives of the SMEs; all visions and missions. In which the SMEs management well sensitized about the environments and quiet know the integration processes and how to sustain the goals and keep developing them into long-term aim of the organization (Koeet *al.*, 2014).

## **Value creation**

Without the existence of value creation, there cannot be business in all. Which mean value creation is regarded to as the bedrock of every business as u create value e.g the farmer turning seed into crops there are customers waiting to buy the end product of that seeds which generate value to the public and generate money for the farmer.

There are various source of value creation, which is brought up by the CVM, they also brought about how values can be created in organizations. Value creation in organizations is define as the framed and bringing together of various acquired values or resources which are used (examples are the, raw materials, machines, and buildings). They help in the aspect of transformations with the input of the actions of the members of the organization in order to achieve higher level of value for customers (Kulturze, 2017). A company will be able to overcome its rivals if they can create a sustainable difference by achieving higher value to customers or producing valued goods at a reduced cost, or both at the same time.

More also, most firms tend to have a higher customer value creation demand which in case the expected benefits reduce and it leads to customers sacrificing to the competitors. Example on value creation are Van Gelderen and Jansen (2016) while applying the Lean perspectives, in which the lean value exchanges brings about the net total can be increased. It also has three factors that are the suppliers' resource such as the material, labour; land and capital, the firm focus and the firm customers

## **How to Measure Value**

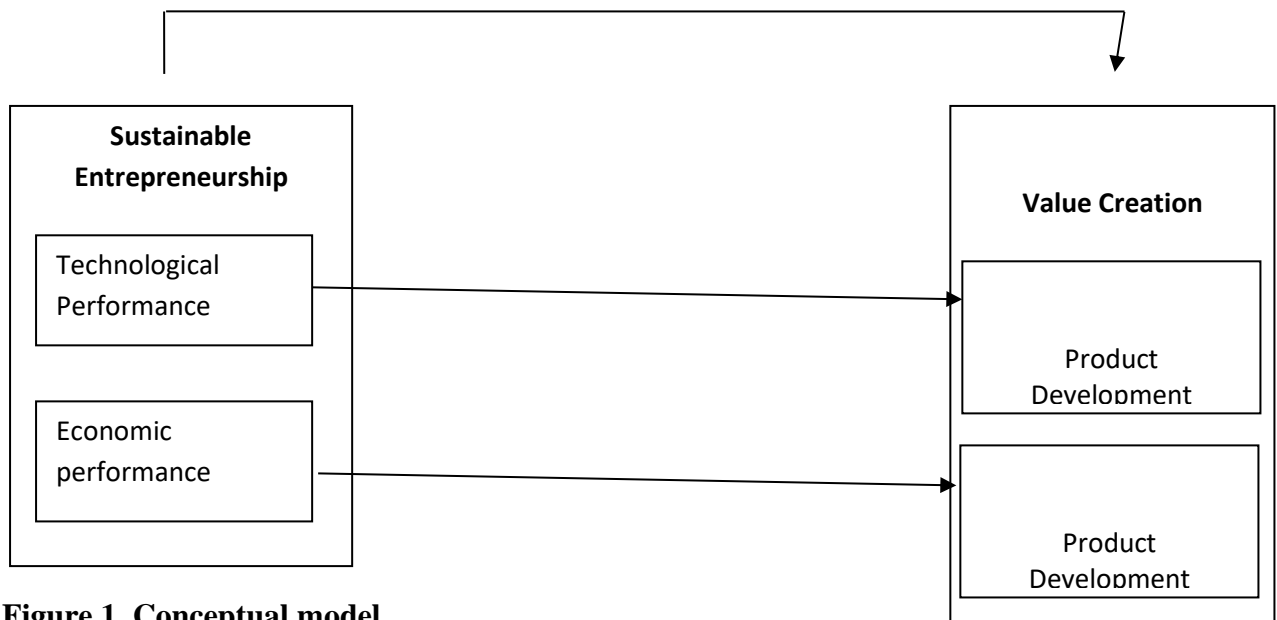
Different ways in ascertaining the measures of value has been postulated by different author over the years but Frey (1997) relate the approach of measuring all monetary revenue and measuring value as the same. The fund provider uses this mechanism and policymakers have already been proving not to get a full capacity of measuring value, only because the process does not take cognizance of the present market value. Frey (1997) established the key reasons, which happen to be non-market values; example is option value, which means the gains. It was gotten from the firm which are cultural even if it is unused now. Meanwhile the existence of value means the value acknowledge, e.g. the historic buildings because it can only be acknowledging and it can't be revived back if they are destroyed. Bequest Value helps in the aspect of protecting the arts and cultural to preserve them for the future generations, even if they do not have any uses at that particular time. We also have the prestige Value this refers to

the aspect of being significant that can come because of national heritage. Lastly is the Educational value it happens to be a type of value, which helps with the developments of creativities, the aesthetic competences, this comes in a way the whole society benefits from it.

### 3. Conceptual Model

This study conceptual model depicts the graphical representation of how researcher shows value creation (product development and quality improvement) depending on sustainable entrepreneurship (technological performance and economic performance).

Conceptual Frame work



**Figure 1. Conceptual model**

*Source:* Researcher, 2021.

### 4. Methodology

An extensive literature review from various scholars who carried out past studies on entrepreneurship and the various constructs under the research study. The research process and methods applied to meet the research objective are mention in this section.

The research design is the overall strategy that was employed to integrate the different constructs of the study in such a way that the research problem was addressed adequately. It presents a framework for the collection, logical analysis and presentation of data to answer all the research questions. The research design was determined by the research problem that the researcher is trying to address.

In carrying out this study, a quantitative method with inclination towards pragmatic philosophical assumptions based on the purpose of the study is used. The research designed was carried out using survey design, which was considered appropriate for generating data for the study. Quantitative research methods use the approach of taking objective measurements, and analysing data collected through polls, questionnaires, and surveys by statistical, mathematical and numerical methods

This study used the survey method to examine the relationships that exist between sustainable entrepreneurship and value creation. In accordance with Taylor and Bogdan (1998) research results are more accurate when the researcher is able to break the ice and connect on a deeper level with the participants of researcher's survey so that researcher is able to collect data relevant to the study. The researcher for the purpose of this study is in connection with various stakeholders (fifty entrepreneurs) in the SME sector who are concerned with creating value to achieve sustainable entrepreneurship in Agege Local Government Area of Lagos State, Nigeria.

This study adopted a two-level sampling – using stratified random sampling and convenience sampling in order to remove the possibility of influence by sample sectors (Bordens & Abbott, 2002). This is essential for the purpose of direct application to a given population (Mook, 1983). The response was stratified according to the specific roles they play in sustainable entrepreneurship of SMEs.

After the data had been generated from the research instrument, same data would be extracted into an analysable format, edited and checked for completeness, error and consistency. Non-parametric in IBM Statistical Package for Social Sciences (SPSS), a flexible estimation of the chi square test was used to analyse the data. The chi square enables the researcher test hypotheses about causal relationships amongst the constructs of the study.

## **Measures and Instrumentation**



Two constructs which are technological performance and economic performance were used to obtain the respondents' opinions in respect of the independent variable (sustainable entrepreneurship), in this study, on the dependent variable (value creation comprising of product development and quality improvement).

### 5. Discussion of Findings

#### Sustainable entrepreneurship (technological performance) and value creation (quality improvement) by SMEs in Lagos, Nigeria

$H_0: X^2 \neq 0$ : There is no dynamics relationship between sustainable entrepreneurship (technology performance) and value creation (quality improvement) by SMEs

$H_a: X^2=0$ : There is dynamics relationship between sustainable entrepreneurship (technology performance) and value creation (quality improvement) by SMEs.

| O  | E    | O-E  | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|----|------|------|--------------------|-----------------------|
| 17 | 25   | -8   | 64                 | 2.56                  |
| 33 | 25   | 8    | 64                 | 2.56                  |
| 5  | 25   | -20  | 400                | 16                    |
| 45 | 25   | 20   | 400                | 16                    |
| 28 | 25   | 3    | 9                  | 0.36                  |
| 22 | 25   | -3   | 9                  | 0.36                  |
| 50 | 50   | 0    | 0                  | 0                     |
| 8  | 12.5 | -4.5 | 20.25              | 1.62                  |
| 6  | 12.5 | -6.5 | 42.25              | 3.38                  |
| 30 | 12.5 | 17.5 | 306.25             | 24.5                  |
| 6  | 12.5 | -6.5 | 42.25              | 3.38                  |
| 22 | 25   | -3   | 9                  | 0.36                  |
| 28 | 25   | 3    | 9                  | 0.36                  |
| 50 | 50   | 0    | 0                  | 0                     |
| 25 | 25   | 0    | 0                  | 0                     |
| 25 | 25   | 0    | 0                  | 0                     |
| 50 | 50   | 0    | 0                  | 0                     |
| 26 | 25   | 1    | 1                  | 0.04                  |
| 24 | 25   | -1   | 1                  | 0.04                  |
|    |      |      |                    | 71.52                 |

Degree of freedom = (r-1)(c-1)

(19-1) (5-1) = 18x4=72

5% significant

$X^2_{tab} = 22.36$

$X^2_{cal} = 71.52$

Since  $X^2_{cal} = 71.52$  is greater than  $X^2_{tab} = 22.36$  we there reject the null hypothesis and accept the alternative hypothesis which states that there is a dynamics relationship between sustainable entrepreneurship and value creation by SMEs

**Sustainable entrepreneurship (economic performance) and value creation (product development) by SMEs in Lagos, Nigeria**

$H_0: X^2=0$ : there is no influence of sustainable entrepreneurship (economic performance) on value creation (product development)

$H_a: X^2 \neq 0$ : there is influence of sustainable entrepreneurship (economic performance) on value creation (product development)

| O  | E    | O-E  | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|----|------|------|--------------------|-----------------------|
| 43 | 25   | 18   | 324                | 12.96                 |
| 7  | 25   | -18  | 324                | 12.96                 |
| 24 | 25   | -1   | 1                  | 0.04                  |
| 26 | 25   | 1    | 1                  | 0.04                  |
| 50 | 50   | 0    | 0                  | 0                     |
| 16 | 25   | -9   | 81                 | 3.24                  |
| 34 | 25   | 9    | 81                 | 3.24                  |
| 15 | 25   | -10  | 100                | 4                     |
| 35 | 25   | 10   | 100                | 4                     |
| 9  | 25   | -16  | 256                | 10.24                 |
| 41 | 25   | 16   | 256                | 10.24                 |
| 25 | 25   | 0    | 9                  | 0.36                  |
| 25 | 25   | 0    | 9                  | 0.36                  |
| 16 | 25   | -9   | 0                  | 0                     |
| 34 | 25   | 9    | 0                  | 0                     |
| 8  | 25   | -17  | 0                  | 0                     |
| 42 | 25   | 17   | 0                  | 0                     |
| 17 | 16.7 | 0.3  | 1                  | 0.05988               |
| 7  | 16.7 | -9.7 | 1                  | 0.05988               |
| 26 | 16.7 | 9.3  | 86.49              | 5.179042              |
|    |      |      |                    | 66.9788               |

Degree of freedom = (r-1)(c-1)

(20-1) (5-1) = 19x4=72

5% significant

$X^2_{tab} = 22.36$

$X^2_{cal} = 66.9788$

Since  $X^2_{cal} = 66.9788$  is greater than  $X^2_{tab} = 22.36$  we there reject the null hypothesis and accept the alternative hypothesis which the is influence of sustainable entrepreneurship (economic performance) on value creation (product development)

**The combine effect of sustainable entrepreneurship (technological and economic performances) on value creation (product development and quality improvement) by (SMEs) in Agege Local Government Area of Lagos, Nigeria.**

$H_0: X^2 \neq 0$ : there is no impact of sustainable entrepreneurship (technological and economic performances) on value creation (product development and quality improvement)

$H_a: X^2 = 0$ : there is impact of sustainable entrepreneurship (technological and economic performances) on value creation (product development and quality improvement)

| O  | E  | O-E | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|----|----|-----|--------------------|-----------------------|
| 25 | 25 | 0   | 0                  | 0                     |
| 25 | 25 | 0   | 0                  | 0                     |
| 13 | 25 | -12 | 144                | 5.76                  |
| 37 | 25 | 12  | 144                | 5.76                  |
| 18 | 25 | -7  | 49                 | 1.96                  |
| 32 | 25 | 7   | 49                 | 1.96                  |
| 18 | 25 | -7  | 49                 | 1.96                  |
| 32 | 25 | 7   | 49                 | 1.96                  |
| 8  | 25 | -17 | 289                | 11.56                 |
| 42 | 25 | 17  | 289                | 11.56                 |
| 10 | 25 | -15 | 225                | 9                     |
| 40 | 25 | 15  | 9                  | 0.36                  |
|    |    |     |                    | 51.84                 |

Degree of freedom = (r-1) (c-1)

(20-1) (5-1) = 19x4=72

5% significant

$X^2_{\text{tab}} = 22.36$

$X^2_{\text{cal}} = 51.84$

Since  $X^2_{\text{cal}} = 51.84$  greater than  $X^2_{\text{tab}} = 22.36$  we there reject the null hypothesis and accept the alternative hypothesis which states that there is an impact of sustainable entrepreneurship (technological and economic performances) on value creation (product development and quality improvement)

## **6. Summary, Conclusion and Recommendations**

This study critically examined dynamics relationship between sustainable entrepreneurship and value creation by SME, special reference to Agege Local Government area of Lagos state in Nigeria. The researcher observed that there are dynamics relationship between sustainable entrepreneurship and value creation by SMEs, but despite that, there is also an influence of sustainable entrepreneurship (economic performance) on value creation (product development) which also relate that there is an impact of sustainable entrepreneurship (technological performance) on value creation (quality improvement).

The study then recommends the following as the solution to challenges facing by SMEs in order to sustain their business through value creation. The SMEs should look more in creating more value through product development as to enhance more technological performance; secondly, the SMEs should improve on the quality of existing product to enhance economic performance. More also, value should be more created in the area of product development and quality to be improved on existing and proposed products to meet up with new technology standard and improve economic performance. The paper concludes that by putting more effort on value creation it will increase both technology and economic performances.

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