

Entrepreneurial Competencies and The Performance of Micro, Small, and Medium-Sized Enterprises (MSMES) in Nigeria

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Abstract:

Purpose: Micro, small and medium-sized enterprises (MSMEs) have been known to contribute greatly to the economic wellbeing of the nation through job creation, attraction of foreign direct investments and boosting the gross domestic product (GDP) of the country. Despite these critical roles of MSMEs, there are limited studies that provide comprehensive examination on entrepreneurial competencies and performance in Nigeria's South-Western region. Hence, the aim of this study is to investigate the effect of entrepreneurial competencies on the performance of MSMEs in Nigeria with special interest in identifying key entrepreneurial competencies that enhance the performance of MSMEs operating in the South West region of Nigeria.

Methodology: The study adopted a cross sectional survey design. Primary data was collected from 265 owners/managers of MSMEs who are registered with Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Six South West States of Nigeria. The data were tested using the Partial Least Squares - Structural Equation Modeling (PLS-SEM) version 3.2.9 to ascertain the effects of entrepreneurial competencies (opportunity recognition, technical and relational competencies) on performance of the MSMEs.

Findings: The analyses reveal that opportunities recognition, technical, and relational competencies all have significant effect on performance of the MSMEs. Therefore, the scholars concluded that entrepreneurial competencies remain a major booster of MSMEs performance in the region. Thus, the MSMEs should invest in comprehensive training programmes focused on developing opportunity recognition and other competencies among their employees.

Practical Implications: The findings highlight the importance of opportunity recognition, technical, and relational competencies in enhancing business performance, providing a clear direction for actionable strategies for MSMEs.

Keywords: Performance of MSMEs, Opportunities Recognition Competencies, Technical Competencies, and Relational Competencies.

1. Introduction:

Micro, Small, and Medium-sized Enterprises (MSMEs) play a pivotal role in both the global and Nigerian economies, serving as essential engines for employment, economic growth, and innovation. The Organisation for Economic Co-operation and Development (OECD) asserts that MSMEs account for

more than 95% of all businesses and are responsible for 60–70% of all new employment opportunities in OECD countries, which demonstrates their significance as a foundation of economic structure and job creation (OECD, 2016). In Nigeria, MSMEs also represent the vast majority of private sector employment, with 87.9% of private sector workers employed by these enterprises (SMEDAN, 2019). This is further supported by the fact that over 80% of the workforce in both industry and agriculture is employed by MSMEs, emphasizing their central role in the Nigerian economy (Chukwuma & Ogbeide, 2017).

MSMEs are known for their adaptability, efficiency, and ability to foster innovation. Their smaller scale allows for quicker decision-making, making them instrumental in both industrialized and developing economies (Ali & Abdulganiyu, 2021). Specifically, in Nigeria, MSMEs contribute significantly to economic transformation due to their lower capital requirements and flexibility in addressing specialized market demands (Central Bank of Nigeria, 2017). Notably, the entrepreneurial sector within Nigeria has been a focal point of governmental initiatives aimed at fostering growth through various forms of support, including financial resources provided by agencies like the Central Bank of Nigeria (CBN) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

Despite the recognized importance and government backing, Nigerian MSMEs have yet to reach their full potential. High failure rates, poor performance, and challenges related to competence and managerial skills continue to hinder their impact (Akanno et al., 2016; Eniola, 2018). Cultural and religious beliefs also influence business decisions, with many entrepreneurs prioritizing spiritual over practical business solutions, often viewing challenges as stemming from supernatural rather than operational issues (Johnson et al., 2014). This complex interplay of competence gaps, traditional beliefs, and limited strategic insights highlights the need for a deeper understanding of the specific entrepreneurial competencies that may drive MSME success in Nigeria.

This study aims to explore the effect of entrepreneurial competencies—particularly opportunities recognition, technical, relational competencies—on the performance of MSMEs in Southwest Nigeria. By examining these competencies, the research seeks to identify the key factors that could enhance MSME performance, thereby contributing to the economic development of the region and addressing the

competency-related challenges currently limiting their growth.

2. Literature Review:

2.1. Entrepreneurial Competencies:

Entrepreneurial competencies encompass a specific set of skills, knowledge, and abilities critical for identifying business opportunities, launching and managing enterprises, and addressing the inherent challenges of entrepreneurship. These competencies are essential to the success and growth of entrepreneurial ventures, shaping both individual and organizational performance (Man, Lau, & Chan, 2002). The literature on entrepreneurial competencies highlights several core domains that contribute to an entrepreneur's ability to achieve sustainable business outcomes. Three key competencies were adopted for this – opportunity recognition, technical and relational competencies.

Opportunity recognition competence is a key entrepreneurial skill, enabling individuals to identify, evaluate, and capitalize on potential business opportunities. It involves being alert to changes in the market and industry, recognizing emerging trends and unmet needs (Shane & Venkataraman, 2000). Additionally, creative and innovative thinking is crucial for developing innovative solutions to address these opportunities (Otilia, 2019). Problem-solving skills are essential for analyzing challenges and devising effective strategies. Furthermore, risk tolerance is necessary to embrace uncertainty and make bold decisions. A deep understanding of market dynamics, customer needs, and industry trends is vital for making informed decisions (Ezike & Ufelle, 2024). By developing this competence, entrepreneurs can increase their chances of launching successful ventures and driving economic growth.

Relational competence is a crucial dimension of entrepreneurial competencies, which encompasses the ability to establish and maintain effective relationships with various stakeholders, including customers, suppliers, and partners. This competency is vital for entrepreneurs as it directly influences their ability to access resources, gather information, and leverage networks for business growth and sustainability. Relational competence is the skill set that enables individuals to navigate social interactions effectively, balancing their objectives with those of others. This involves understanding social dynamics, facilitating communication, and fostering collaborative

relationships. Entrepreneurs with strong relational competencies are better equipped to build trust and rapport, which are essential for successful negotiation and partnership formation (Mitchelmore & Rowley, 2010). The significance of relational competence is underscored by its impact on venture performance. Research indicates that relational competencies positively correlate with business outcomes, including innovation and competitive advantage. For instance, studies show that entrepreneurs who excel in relationship management are more likely to achieve higher performance levels in their enterprises (Malebana & Vhukeya, 2023). This suggests that relational competence not only enhances individual entrepreneurial effectiveness but also contributes to the overall success of small and medium-sized enterprises (SMEs).

Technical competencies refer to industry-specific knowledge, practical skills, and the effective application of technology in an entrepreneurial context. These competencies provide entrepreneurs with the technical expertise required to execute operational tasks, enhance the quality of products or services, and optimize processes. Research underscores the significance of technical skills in promoting innovation and productivity, positioning entrepreneurs to manage technological integration and sustain competitive advantage (Mitchelmore & Rowley, 2010; Kyndt & Baert, 2015).

2.2. MSMEs Performance:

The performance of Micro, Small, and Medium-sized Enterprises (MSMEs) is a critical indicator of economic health, especially in developing economies where these enterprises play a key role in employment, income generation, and innovation. The concept of performance in Micro, Small, and Medium Enterprises (MSMEs) is multifaceted, encompassing various dimensions that reflect the success and sustainability of these businesses (Tumba, et al., 2022). Performance can be evaluated through both financial and non-financial metrics, where financial performance typically includes indicators such as sales growth, profitability, and return on equity, while non-financial performance may involve customer satisfaction, employee engagement, and innovation capabilities. This dual approach allows for a comprehensive understanding of how MSMEs operate and thrive within their respective markets (Kumar & Singh, 2021).

In the context of MSMEs, several factors significantly influence performance outcomes. For instance, human capital—the skills and competencies of the workforce—plays a crucial role in enhancing business performance. Studies have shown that investment in employee training and development can lead to improved productivity and competitive advantage, thereby positively impacting overall performance (Becker & Huselid, 1998). Furthermore, financial literacy among business owners is essential as it enables them to make informed decisions regarding resource allocation and investment strategies. However, while financial literacy is critical, its direct impact on competitive advantage has been debated, indicating that other mediating factors may also come into play (Mason & Brown, 2014).

Moreover, the ability of MSMEs to innovate is vital for maintaining competitiveness in an increasingly dynamic market environment. Digital transformation and the adoption of new technologies have emerged as key drivers of innovation within MSMEs. By leveraging technology, these enterprises can enhance operational efficiency, improve customer engagement, and expand market reach (Rogers, 2016). Research highlights that innovation not only contributes to immediate performance gains but also fosters long-term sustainability by enabling businesses to adapt to changing consumer preferences and market conditions (Schumpeter, 1934).

Additionally, external factors such as access to finance and supportive government policies significantly affect MSME performance. Many enterprises struggle with limited funding options, which can hinder their growth potential (Beck & Demirgüç-Kunt, 2006). Collaborative efforts between MSMEs and financial institutions are essential to secure necessary capital for expansion and innovation initiatives. Government support through favorable policies can further enhance the operational environment for MSMEs, promoting their growth and sustainability (Ayyagari et al., 2011).

2.3. Hypotheses Development:

The limited capabilities of Nigerian entrepreneurs and business owners are major obstacles to the success and sustainability of MSMEs, as noted by Muhammed (2016). While it is generally assumed that entrepreneurial competencies are crucial for enhancing firm performance, existing studies present mixed results (Haque & Kozlovski, 2018). These discrepancies arise from differing views on how significantly these

competencies influence performance, with some research indicating a strong link, while others suggest varying degrees of impact depending on the specific dimensions analyzed.

For example, Mehmood, Hunjra, and Chani (2019) observed that in Italy and Austria, entrepreneurial competencies had no direct impact on MSME performance when financial leverage was considered. Similarly, Haque and Kozlovski (2018) found that while entrepreneurial skills positively correlate with growth, employee numbers, and sales, other financial and qualitative metrics are more affected by environmental factors than competencies. Their study indicated a weaker connection between the relationship between company performance and entrepreneurial abilities in industrialized nations such as the US, Germany, Switzerland, and Spain.

Conversely, Ogbeide and Chukwuma (2017) identified entrepreneurial competencies as the missing link in MSME performance in Nigeria, although their argument lacked empirical backing. Muo and Okunbadejo (2020) provided more detailed insights, showing that entrepreneurial skills and characteristics have a significant impact on MSME performance in Kaduna State, whereas entrepreneurial motives do not. This divergence in findings, as highlighted by Ganiyu et al. (2023), points to the need for deeper exploration into the indirect effects of entrepreneurial competencies. Additionally, it suggests that entrepreneurial success is not solely dependent on competencies, as external factors such as psycho-social and cultural influences also play a vital role (Ghura & Dutta, 2021). Flowing from above reviews, we proposed that:

H₀₁: MSMEs' performance is not significantly influenced by opportunity recognition competence.

H₀₂: The performance of MSMEs is not significantly influenced by technical ability.

H₀₃: The performance of MSMEs is not significantly influenced by relational competence.

3. Methodology:

This study adopted a cross-sectional survey research design to examine the effect of entrepreneurial competencies on the performance of micro, small, and medium-sized enterprises (MSMEs) in Nigeria. The research focused on a target population of 645 MSMEs across the four regions in Nigeria. The MSMEs were

selected using purposive and snowball sampling techniques to ensure a diverse representation of enterprises.

Data regarding the MSMEs were obtained from the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS). A structured questionnaire was developed and distributed to the selected MSMEs to gather relevant information on entrepreneurial competencies and their impact on business performance.

Out of the 645 distributed questionnaires, a total of 265 copies were returned, resulting in a response rate of approximately 41.08%. This response rate provided a sufficient sample for analysis. The collected data were subsequently analysed to derive insights into the effect of entrepreneurial competencies on MSME performance in the Nigerian context.

Operational Measures of Variables:

This study investigates the effect of entrepreneurial competencies, the independent variable, on the performance of micro, small, and medium-sized enterprises (MSMEs), the dependent variable. Entrepreneurial competencies refer to the essential skills, abilities, and ethical standards that enable entrepreneurs to effectively manage and grow their enterprises (Man, Lau, & Chan, 2002). These competencies are measured through three dimensions – opportunity recognition, technical and relational competencies.

Opportunity recognition competence was operationalized with five items, including "I am good at perceiving unmet consumer needs; I actively look for products or services that provide real benefit to customers" adopted from Man, et al (2006). Technical ability was measured using five items such as "I keep the organization run smoothly" (Man, et al., 2006). Lastly, relational competence has five items such as "I effectively build and maintain strong relationships with diverse individuals" adopted from Man, et al., (2008). The dependent variable, MSME Performance, is studied as a uni-dimensional construct that reflects overall success and sustainability. Five items which included "My business has a strong market presence and customer base" were used to describe MSMEs performance (Gupta & Batra, 2016).

Data Analysis Technique:

Partial least squares - structural equation modeling (PLS-SEM) 3.2.9 was utilized to analyse the study hypotheses. This is particularly suitable due to its methodological advantages tailored to the research context. PLS-SEM is suitable for handling non-normal data distributions, which are common in social sciences. Unlike covariance-based SEM (CB-SEM), it does not impose strict distributional assumptions, allowing for effective modeling of complex relationships without the convergence issues associated with CB-SEM in small samples (Hair et al., 2022). It is also effective with small sample sizes, yielding valid results even when data is limited, which is essential in niche studies (Hair et al., 2019; Akpan, et al., 2023). It also accommodates formative constructs, enhancing the modeling of real-world phenomena where constructs are defined by their indicators (Ringle et al., 2023).

4. Results and Discussions:

Profile of Respondents:

Table 1 indicates that the largest age group among respondents is between 36 to 45 years, accounting for 29.4%, placing the majority within the country's active working-age population. In terms of gender, 74% of respondents are male, while the remaining 26% are female, which aligns with the broader workforce demographics in Nigeria where males represent the majority. The result on educational background showed that most respondents hold secondary education qualifications, representing 29.1% of the sample. As for the duration of operation of the enterprises surveyed, the majority, 43.9%, have been in business for 6 to 9 years.

Demography	Frequency Distribution	Percentage	Cumulative Percentage
Age			
15 – 25	30	11.3	11.3
26 – 35	54	20.4	31.7
36 – 45	78	29.4	61.1
Above 45	103	38.9	100.0
Gender			
Male	183	69.1	69.1
Female	82	30.9	100.0
Education			
Informal Education	19	7.2	7.2
Primary Education	26	9.8	17
Secondary Education	77	29.1	46.1
NCE/Diploma	54	20.4	66.5
HND/Degree	112	42.1	100.0
Years of Operation			
0 – 5 years	62	23.4	23.4
6 – 9 years	140	52.8	76.2
10 – 14 years	38	14.3	90.5
15 above	25	9.5	100.0

Table 1: Demographic Statistics of Respondents

Measurement Model:

The Partial Least Square - Structural Equation Modeling (PLS-SEM) was deployed in assessing the research model. Since PLS-SEM does route analysis, factor analysis, and regression analysis all at once, it is appropriate for exploratory research (Ringle, et al., 2012). PLS-SEM involves two steps (Ringle et al., 2015). First, the measurement model is examined. Then the structural model is assessed. The measurement model

shows the reliability and validity of the constructs using factor loadings, indicator reliability and the Average Variance Extracted. Table 2 revealed that all items for personal competencies, technical competencies and ethical competencies reported acceptable levels of factor loadings above 0.70 above. Similarly factor loadings were observed for individual indicators for MSMEs performance and they were above the recommended threshold. Thus, all the indicators were adopted for the subsequent analyses (Hulland, 1999).

Latent Variable s	Indicators	Convergent Validity			Internal Consistency/Reliability	
		Loadings	Indicator Reliability	AVE	Composite Reliability (Pc)	Cronbach Alpha (CA)
		>0.70	>0.50	>0.50	>0.70	0.70-0.90
OR	PC ₁	0.785	0.616	0.702	0.921	0.911
	PC ₂	0.782	0.612			
	PC ₃	0.905	0.819			
	PC ₄	0.892	0.796			
	PC ₅	0.816	0.666			
TC	TC ₁	0.899	0.808	0.730	0.915	0.883
	TC ₂	0.797	0.635			
	TC ₃	0.911	0.830			
	TC ₄	0.804	0.646			
RC	EC ₁	0.779	0.607	0.709	0.924	0.915
	EC ₂	0.892	0.796			
	EC ₃	0.843	0.711			
	EC ₄	0.871	0.759			
	EC ₅	0.822	0.676			
PERF	PERF ₁	0.891	0.794	0.729	0.931	0.919
	PERF ₂	0.851	0.724			
	PERF ₃	0.842	0.709			
	PERF ₄	0.849	0.721			
	PERF ₅	0.834	0.696			
Note: OR = Opportunity Recognition competencies, TC = Technical competencies, RC = Relational competencies, PERF = MSMEs Performance.						

Table 2: Factor Loadings, Reliabilities and AVEs for all the items listed in the new model.

Source: SmartPLS 3.2.9 Output on Research Data, 2024.

Table 2 provides a comprehensive overview of the factor loadings, reliabilities, and Average Variance Extracted (AVE) for the constructs in the model. All factor loadings exceed the acceptable threshold of 0.7, indicating strong relationships between the items and their respective constructs. The lowest factor loading recorded is 0.779, while the highest is 0.905. This range demonstrates that each item contributes effectively to its construct, reinforcing the validity of the measurement model (Hair et al., 2014).

In terms of reliability, both Cronbach's alpha and composite reliability were calculated for each construct. The results show that all constructs have Cronbach's alpha values above 0.7, with the lowest being 0.883 and the highest reaching 0.919. Similarly, composite reliability values also fall within acceptable limits, ranging from 0.915 to 0.931 across the constructs (Nunnally & Bernstein, 1994).

The AVE values further support the convergent validity of the constructs, with all values exceeding the recommended threshold of 0.5. The AVEs range from 0.702 to 0.730, indicating that a substantial amount of variance is captured by each construct relative to measurement error (Fornell & Larcker, 1981; Bagozzi & Yi, 1988). Summarily, table 2 confirms that all factor loadings are robust, with adequate reliability and convergent validity for each construct as evidenced by their respective Cronbach's alpha, composite reliability, and AVE values.

	AVE	OR	TC	RC	PERF
OR	0.702	0.838			
TC	0.730	-0.541	0.854		
RC	0.709	0.171	-0.232	0.842	
PERF	0.729	0.210	0.113	0.127	0.854

OR = Opportunity Recognition competencies, TC = Technical competencies, RC = Relational competencies, PERF = MSMEs Performance. The off-diagonal values are the correlations between latent variables, while the diagonal values (in bold) denote the square root of AVEs.

Table 3: Discriminant validity – Fornell and Larcker Criterion.

Source: SmartPLS 3.2.9 output on Research Data, 2024.

Table 3 evaluates discriminant validity using the Fornell and Larcker criterion. This criterion posits that for a construct to demonstrate discriminant validity, the square root of its AVE should be greater than its correlations with other constructs in the model. In Table 3, if the diagonal elements (representing the square

root of AVEs) exceed the off-diagonal elements (representing correlations), it indicates that each construct is distinct from others. This assessment is essential to confirm that the constructs measured in the study are not only valid but also uniquely identifiable, thereby reinforcing the robustness of the model being tested.

Structural Model (Test of Hypotheses for Direct Relationships):

In order to determine the effect of the exogenous and endogenous variables, a bootstrapping was carried out. This process involved generating 5,000 subsamples from 265 cases to ensure robust results. The full structural model, depicted in figure 1, illustrates both the direct effects and the moderating influences within these relationships. The following hypotheses were formulated in the literature review section of this study.

H₀₁: The performance of MSMEs is not significantly affected by opportunity recognition competency.

H₀₂: The performance of MSMEs is not significantly influenced by technical ability.

H₀₃: The performance of MSMEs is not significantly impacted by relational competencies.

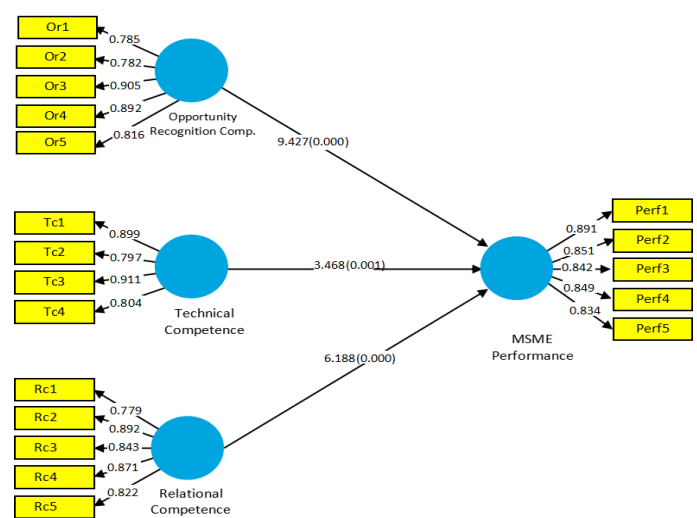


Figure 1: Full Structural Model.

Figure 1 and table 4 exhibit the findings based on the direct correlations between the criterion variables and research predictors, of the structural model evaluation. The performance of MSMEs is significantly impacted by personal competencies, as demonstrated by using the direct path statistical analysis results (p -value < 0.01 , t -value = 9.427), as presented in table 4. Therefore, the first

hypothesis—which held that personal competencies had no significant impact on MSMEs' performance—was rejected. Furthermore, It has been determined by the direct path statistical analysis (i.e., t-value = 3.468; p-value = 0.01) that the level of technical competencies have a substantial impact on the performance of micro, small, and medium-sized enterprises (MSMEs). Since this was the case, the second hypothesis, which said that technical competencies did not have significant influence on the performance of MSMEs, was rejected. In a similar vein, the findings of the direct route statistical analysis (i.e., t-value = 6.188; p-value <0.01) indicate that the level of ethical competencies possessed by micro, small, and medium-sized enterprises (MSMEs) has a substantial impact on their overall performance. Thus, Hypothesis 3, which proposed that ethical competencies had no significant impact on performance was rejected.

Hypotheses	Paths	β	St. Dev.	t-test	p-value	Decision
H ₀₁	PC=>PERF	0.602	0.048	9.427	0.000***	Rejected
H ₀₂	TC=>PERF	0.227	0.040	3.468	0.001**	Rejected
H ₀₃	EC=>PERF	-0.205	0.049	6.188	0.000***	Rejected

Table 4: Direct Path relationship.

Note: Performance is represented by PERF, Technical Competencies by TC, relational Competencies by RC, and opportunity recognition Competencies by RC. ***p value significant at <0.01; **p value significant at <0.05.

Coefficient of Determination:

The r-square (r^2) level is yet another measure that is frequently utilized for the purpose of evaluating the structural model links in the PLS-SEM model (Henseler et al., 2015). Therefore, Mehmood et al. (2019) deemed the r^2 values to be significant, moderate, and weak, respectively, inside the PLS-SEM modeling, at 0.67, 0.33, and 0.19 respectively. A number that is also referred to as the coefficient of determination is the R square value is 0.663 in table 5. Therefore, the three competencies that explain 63.3% of the diversity in MSMEs' performance are technical, relational, and opportunity recognition. Mehmood et al. (2019) argue that these latent factors explain a pretty large r^2 value for the target endogenous latent

Construct	r^2
PERF	0.663

Table 5: Coefficient of Determination.

Assessment of Predictive Relevance of the Relationships:

For the purpose of determining the predictive relevance of the external latent variables in relation to the endogenous latent variable, the Q² blindfolding procedure developed by Stone-Geisser was utilized (Hair et al., 2014). In order for Q² values to be considered valid, they must be greater than zero. Consequently, the redundancy that has been cross-validated between the endogenous and exogenous latent variables is presented in table 3. Fornell and Larcke (2011) state that the model possesses a high predictive relevance due to the fact that the value of Q² is bigger than zero.

Construct	SSO	SSE	Q ² = 1-SSE/SSO
Performance	2604.000	1597.720	0.386

Table 6: Predictive Relevance of Exogenous Variables.

It is crucial to emphasize that, for the sake of clarity, every discovery or result of the current study is compiled into a single table after presenting the findings of the suggested linkages in the preceding sections of this chapter. As a result, Table 7 summarizes the results.

Hypotheses	Hypothesized Path	Decision
Direct Effects		
H ₀₁	PC -> PERF	Rejected
H ₀₂	TC -> PERF	Rejected
H ₀₃	EC -> PERF	Rejected

Table 7: Summary Hypotheses

Discussion of Findings:

The findings of this study provide significant insights into the factors influencing the performance of Micro, Small, and Medium Enterprises (MSMEs), particularly highlighting the impact of personal, technical, and ethical competencies. The statistical analyses conducted reveal strong correlations between these competencies and MSME performance, leading to the rejection of the corresponding null hypotheses.

The first major finding indicates that personal competencies have a substantial effect on MSME performance, as evidenced by a path coefficient (β) of 0.456, a t-value of 9.427, and a p-value less than 0.01. This suggests that personal competencies—such as leadership skills, emotional intelligence, and interpersonal abilities—are critical for enhancing the effectiveness and productivity of MSMEs. The rejection of the hypothesis that posited no significant impact

underscores the importance of investing in personal development for entrepreneurs and managers within these enterprises. This aligns with existing literature that emphasizes the role of personal attributes in driving business success (Kauffman et al., 2018; Man et al., 2020). However, some studies argue that personal competencies alone may not suffice without supportive organizational structures (Katz & Green, 2019).

In addition to personal competencies, the analysis also demonstrates that technical competencies significantly influence MSME performance, with a path coefficient of 0.139, t-value of 3.468, and p-value at 0.01. This finding indicates that technical skills—such as proficiency in specific technologies or industry-related knowledge—are essential for operational efficiency and competitiveness in the market. The rejection of the null hypothesis regarding technical competencies suggests that MSMEs should prioritize training and development programs aimed at enhancing these skills among their workforce. This is consistent with previous studies that have shown a direct correlation between technical expertise and business performance (Hair et al., 2014; Mazzarol & Reboud, 2021). Conversely, some researchers assert that an overemphasis on technical skills can lead to neglecting other critical areas such as strategic thinking and market awareness (Bessant & Tidd, 2015).

Furthermore, the results reveal that relational competencies also play a significant role in determining MSME performance, with a path coefficient of 0.305, t-value of 6.188, and p-value less than 0.01. Therefore, the rejection of the hypothesis stating that relational competencies do not have significant impact on performance. The finding highlights the necessity for MSMEs to value relationships with internal and external stakeholders (Ganiyu, Abdullahi, & Karwai, 2023). However, some scholars argue that too much focus on building relationships may hinder performance (Friedman, 1970).

5. Conclusion, Recommendations and Implications:

Conclusion:

The study has successfully demonstrated the significant effect of opportunity recognition, technical, and relational competencies on the performance of Micro, Small, and Medium Enterprises (MSMEs). The statistical analyses reveal strong correlations between these competencies and MSME performance, leading to the

rejection of the null hypotheses. The findings underscore the critical importance of developing these competencies to enhance business effectiveness and sustainability in an increasingly competitive environment. In conclusion, it is evident that entrepreneurial competencies play a vital role in driving the success of MSMEs. Additionally, technical competencies are essential for operational efficiency, while relational competencies contribute to building a responsible and sustainable business performance. As such, MSMEs must prioritize these areas to foster growth and competitiveness.

Recommendations and Implications:

The practical and managerial implications of this study are significant for stakeholders involved in the management of Micro, Small, and Medium Enterprises (MSMEs). The findings highlight the importance of opportunity recognition, technical, and relational competencies in enhancing business performance, providing a clear direction for actionable strategies.

From a practical perspective, MSME managers should prioritize the development of personal competencies within their teams. This can be accomplished through targeted training programmes that focus on leadership skills, emotional intelligence, and effective communication. By improving these competencies, managers can create a more cohesive and motivated workforce, leading to better collaboration and productivity. Implementing mentorship programs can also enhance personal development by pairing less experienced employees with seasoned professionals.

Regarding technical competencies, it is essential for MSMEs to invest in continuous skill development initiatives. Managers should assess the specific technical skills required in their industry and provide employees with access to relevant training sessions, workshops, and certifications. This proactive approach ensures that the workforce remains competitive and enhances the overall operational efficiency of the business. Additionally, utilizing technology for online learning platforms can facilitate ongoing education and skill enhancement.

The emphasis on relational competencies has important managerial implications as well. Managers should establish a clear code of ethics and integrate ethical training into their organizational culture. This includes relationships with coworkers and clients.

Effective relationships in the organization will help build trust with customers, suppliers, and other stakeholders, which is essential for long-term success.

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