

# THE ROLE OF ENTREPRENEURS' CULTURAL AND SOCIAL INTELLIGENCE ON THE PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) IN PLATEAU STATE

By

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## ABSTRACT

*This study was aimed to uncover the extent to which individuals' cultural and social intelligence enhances MSMEs performance. Cross-sectional survey design was adopted for the study using simple random sampling technique. A sample size of 400 business owners was determined using the Yamane formula. Multiple regression was used for data analyses in SPSS. The findings of the research reveal that Cultural and Social intelligence significantly influence MSMEs performance positively. The mediation effect was complementary partially mediated. Understanding the value of Cultural and Social Intelligence in enhancing business performance has brought to fore the need for MSMEs owners to strive to acquire and develop cultural and social intelligence in order to navigate customer relationship management and grow their business. This finding has offered explanation to the differences in the performance of some of the businesses that have managed to flourish in the harsh Nigerian business landscape.*

**Keywords:** Cultural Intelligence, Social Intelligence, MSMEs Performance, Nigeria

## 1.0 INTRODUCTION

Globally, the role of Micro, Small and Medium Enterprise (MSME's) as vehicle for economic development, poverty alleviation and employment generation is well recognized (Raave, Srinivasa, Waheed, & Shazi, 2019). In Nigeria, MSMEs accounts for 96% of businesses, 84% of employment and 48% of total GDP in the last five years (National Bureau of Statistics, NBS, 2019). Despite the significant contributions of MSMEs to the Nigerian economy, poor performance of this sector has persisted. According to Akpi, Vem, and Eshue (2020), SMEs' performance in Nigeria is hideously lower compared to the successes recorded in developed economies. For example, MSMEs in Nigeria contributes less than 5percent to national GDP annually compared to 40percent in Asia and 50percent in United States and Europe (Eniola, 2014; PwC MSMEs survey report, 2020). Similarly, research has shown that 80percent of MSMEs fold-up within the first five years of their establishment (Agwu & Emeti, 2014). These are evidence of poor performance of the MSMEs.

Several factors have been identified that contributes to the poor performance of MSMEs in Nigeria (Agwu & Emeti, 2014; Pwc MSMEs report, 2020). A large body of entrepreneurial literature focused more on factors that are external to the entrepreneurs (Jayeola, Ihinmaoyan, & Kazeem, 2018). A few of the researches that focus on internal factors are associated with entrepreneur's orientation, lack of managerial capabilities of the entrepreneurs and poor customer relationship management (Rankhumise, & Letsoale, 2019; Ankrah & Mensah, 2015; Alabar & Mtswenem, 2017); hence the need to investigate other internal factors to the entrepreneur that may be fundamental to business success and performance.

In the last decade, a plethora of researches have examined the antecedents of business performance (Rutherford, & Oswald, 2000; Karabag & Berggren, 2014; Jimenez, Cegarra-Navarra, Perin, Sampaio, & Lenglet, 2014). However, the antecedent role of social and cultural intelligence on business performance is lacking in literature in the Nigerian context since hence the need to understand the peculiar effect of cultural intelligence of MSMEs owners on the performance of businesses in Nigeria. Social Intelligence is the interpersonal skill and ability to understand and interact well with others in different social situations while Cultural Intelligence is individuals' capability to successfully adapt to new cultural setting and interact with people from diverse cultural background.

Previous studies have established the association of Cultural Intelligence and Social Intelligence with outcomes such as decision-making, teachers' effectiveness, employee performance, customer involvement, satisfaction and loyalty (Ng & Earley, 2006; Lima, West, Winston, & Wood, 2016; Farshad, 2016; Nikoopour & Esfandiari, 2017; Akpi, et.al, 2020). Lima et al., (2016) affirmed that when interacting in culturally diverse setting, entrepreneurs with a high level of Cultural Intelligence stand better chances of success compared to those with low Cultural Intelligence. Similarly, Social Intelligence like other social phenomena is bound in the norms and values of a culture (Wang & Ollendick, 2001). Livermore (2011) asserted that low Cultural Intelligence is a primary reason many businesses continue to lose millions of dollars when expanding into culturally diverse markets. It is therefore predicted that entrepreneurs that possess social and cultural intelligence are more likely to survive, thrive and grow their businesses to maturity. This study seeks to establish the relationship between entrepreneurs' Cultural Intelligence and MSMEs' performance through the intervening role of Social Intelligence to explain why some entrepreneurs are more successful than others.

## **2.0 LITERATURE REVIEW**

This section critically evaluates and gives an in-depth account of relevant literature and synthesis existing information in order to justify stated objectives, create a point of departure and situate the study within the work already done in order to highlight knowledge gaps that require this study to address.

## **2.1 Theoretical Foundation**

### **2.1.1 Theory of Dynamic Capability**

The theory of Dynamic capability originated in the work of Teece, Pisano and Shuen (1997) who argued that firms need to renew competencies in line with changing competitive conditions; i.e. “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address changing environments” that explained variations in inter-firm performance. Organizational capabilities are firm-specific resources and processes to accomplish strategic goals by utilizing the available know-how and non-firm-specific resources (Teece, et.al., 1997). Dynamic capability plays an important role in an organization as it underscores the accumulation of capabilities embedded in a firm and it is directly associated with its financial performance (Zhou, Zhou, Feng & Jiang, 2017, Oliver, 2014). It is argued that developing dynamic capabilities can lead to a better performance (Chien & Tsai, 2012). Oliver (2014) argued that although many organizations have access to similar resources, it is their ability to manage the resources to perform some task or activity better than competitive rivals and extend the resource potential that differentiates one organization’s capability and performance over another.

As such, firm capabilities can be considered as a minimum threshold of resources that are required to satisfy market requirements. Peng, Zhang, Yen, and Yang (2019) noted that even minor difference in capabilities of firms produces differences in their performance. In line with this evidence, we argue that all MSMEs operate in a competitive environment thus the extent to one business organization performs better than another is predicated on the developing and utilizing social and cultural intelligence as capabilities. Thus, we predict that possessing cultural and social intelligence will significantly influence the performance of MSME owner and their businesses. To this end, the theory of dynamic capability is useful in explaining the link between cultural and social intelligence of managers as the cause of variations in MSMEs performance in Plateau State.

### **2.1.2 Performance of MSMEs in Nigeria**

MSMEs performance can be seen as how the firm provides value to its stakeholders such as owners, customers, society and even government (Ibrahim & Mohd, 2015). Moullin (2003) cited in Ankrah & Mensah, (2015) defines organization’s performance as how well the organization is managed and the value the organization delivers for customers and other stakeholders. In other words, it is an index that measures the degree to which an organization has achieved its goals. Firms attain their objective if they succeed in satisfying their stakeholders’ needs more than their rivals.

A study has shown that approximately 96% of Nigerian businesses are MSMEs compared to 53% in the US and 65% in Europe but the performance of MSMEs in Nigeria is grossly lower compared to Asia, US, Europe and other nations at same levels of development with Nigeria (Banji, 2020). These economies have shown consistent commitment to the development of MSMEs by implementing access to finance and financial incentives, basic and technological infrastructure, adequate legal and regulatory framework, and a commitment to building domestic expertise and knowledge which is lacking in Nigeria (Banji, 2020). This research predicts that developing entrepreneurs’ cultural and social has the potential to impact the performance of MSMEs in Nigeria.

### 2.1.3 Cultural Intelligence

Cultural intelligence is an individual capability to function effectively in a culturally diverse environment with the aim of competing as well as developing a sustainable strategy in cross-cultural interaction (Ott & Michailova, 2016). Cultural Intelligence is essential especially for business owners and employees who deal with people from different cultures because customer's perceptions, beliefs, attitudes, and values can substantially influence their involvement with an organization and its products. In other words, it is a person's awareness of their own culture and ability to adapt to the nuance of other cultures. Earley and Ang (2003), conceptualize cultural intelligence as a multidimensional construct comprised of cognitive, meta-cognitive, motivational, and behavioral dimensions.

*Cognitive Cultural intelligence* refers to the knowledge of the norms and practices in various cultures acquired from personal experiences and education. It includes knowledge of legal and economic systems, the vocabulary and grammar rules, the cultural values and religious belief, the marriage systems and customs, the art and crafts, and the rules for expressing nonverbal behaviors in other cultures (Tu, Zhang, & Chiu, 2019)

*Meta-cognitive Cultural Intelligence* is the mental processes that are used by individuals to acquire and comprehend cultural knowledge that leads to deep and better information processing, i.e. planning, monitoring, and revising mental models of cultural norms.

*Motivational Cultural intelligence* is the ability to direct attention and energy to learn about different cultures and function properly in cross-cultural situations. In the context of this study, MSMEs owners operating in new cultural setting are expected to learn the art of aligning their identity with the host community in order to attract their loyalty.

*Behavioral Cultural Intelligence* is the ability to act verbally and non-verbally in a proper way when interacting with individuals from different cultures (Ang & Van Dyne, 2008). The blend of all these four elements produces a powerful and systematic framework for understanding why individuals vary in their effectiveness in coping with novel cultural settings.

### 2.1.4 Social Intelligence

Social intelligence is described as the ability to be aware, understand and act on emotional information about others that lead to effective performance (Emmerling & Boyatzis, 2012). It emphasizes three main elements which are: capacity of social awareness towards society; social knowledge and individual's capacity for social adjustments (Khan, 2019). Social intelligence is becoming a global requirement and a critical element of success for organization. A socially intelligent organization is able to have a deeper understanding of what motivates their customers and how better to utilize the diversity in the multicultural business environment. In this study, the conceptualization of the Tromso's model of social intelligence by Silvera, Martinussen & Dahl (2001) is adapted. The scale measures three areas of social intelligence; social information processing, social skills, and Social awareness.

**Social Information Processing:** is the ability to understand and predict other peoples’ behaviors and feelings. Processing social information reflects a person's ability in regulating distressing emotions like anxiety or nervousness and managing such situations.

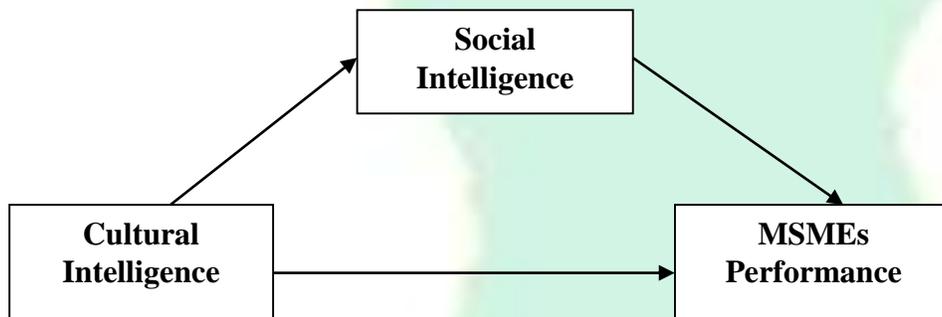
**Social Skills:** Stresses the behavioral ability to enter new social situations and social adaptation (Delic, Novak, Kovacic, & Avsec, 2011). Goleman (2007) holds that the individuals who intend to build relationships with others effectively need to have the ability to distinguish, separate, and control their feelings. Only through having superior social skills, the individuals know where and when to show emotional state (Ebrahimpoor, Zahedb, Elyasic, 2013).

**Social Awareness:** Involve an individual becoming aware of others' feelings, tastes, and needs, identifying paradoxical situations, and makes use of this source of information to establish a good relationship with them. Goleman believes that understanding others’ feeling while making decision and ethical judgments is of high value.

This study examined the intervening role of social intelligence in predicting MSMEs performance in Nigeria.

**2.2 Conceptual Framework and Hypotheses Development**

This study proposes a viewpoint of MSMEs’ performance through the predictive lens of the theory of dynamic capability. In addition, we proposed a mechanism through Social Intelligence to explain why the direct relationship of Cultural Intelligence and MSMEs performance should hold-sway as depicted in Figure 1.



**Figure 1:** Conceptual Framework

**2.2.1 The Antecedent Role of Cultural Intelligence on MSME performance**

High Cultural Intelligence is the most vital capability that adds competitive advantage to business due to its potentials to improve communication, cooperation, teamwork, performance, innovation, engagement and profitability (Tu, Zhang & Chiu, 2019). Kadam, Rao, Kareem, Abdul, & Jabeen (2019) results showed that Cultural intelligence of the SME owners has a positive effect on firm performance through the mediating role of entrepreneurial orientation. Also, Cultural intelligence of the SME owners was found to have a direct effect on firm performance. In another study by Charoensukmongkol (2015), results revealed a positive association between the Cultural Intelligence of entrepreneurs and the quality of the relationships that small and medium enterprises (SMEs) had with

foreign customers, foreign suppliers and foreign competitors. The quality of the relationships was also associated positively with export performance thus asserting its importance as a valuable competency that SMEs owners need to cultivate when operating in a multicultural environment.

There is evidence that individuals with high Cultural Intelligence are better able to accomplish goals in a respectful and effective way no matter what cultural context (Livermore, 2011). This suggests that Cultural Intelligence is vital for the efficiency, quality of service and in creating beneficial interpersonal connections between business and clients. However, studies demonstrating the unique effect of cultural intelligence of MSMEs owners on MSMEs performance in Nigeria is still lacking in literature; The need examine this relationship is buttressed by Ang and Dyne (2015) who assert that knowing how others form impression is largely contingent upon acknowledging that individuals in different cultures have different experiences of self and others. Consistent with this, we hypothesize that;  $H_1$ : *There is significant positive relationship between cultural intelligence and performance of SMEs in Nigeria.*

### 2.2.2 **The Antecedent Role of Cultural Intelligence on Social Intelligence**

The association between Cultural Intelligence and emotional intelligence and other outcome variables is well established (Mohammadbagher, &Hamid, 2011). Bucker, Furrer, Poutsma and Buyensn(2014) found that Cultural Intelligence help in reducing anxiety and influence both communication effectiveness and job satisfaction. The positive association between Cultural Intelligence and adaptive selling behavior (Charoensukmongkol, 2019), interaction involvement (Puyod & Charoensukmongkol, 2019), job performance (Rezaiee, Rezaiee, & Rajabi, 2012), intercultural communication sensitivity (Dong, Koper, & Collaço, 2008), customer loyalty (Akpi, et al., 2020) is well established. The study by Hamid, & Mojtaba, (2016) is one of the few studies that indicated that the correlations between cultural intelligence, spiritual intelligence, and social intelligence with job satisfaction of the employees were significant. In another study by Esfandiari and Nikoopour (2017) reveal that Cultural intelligence has correlation with Social Intelligence, Trait Emotional Intelligence, and Spiritual Intelligence with a correlation coefficient of 0.240, 0.201, and 0.462 respectively. Reviews of the extant literature clearly indicate that the association between cultural intelligence and social intelligence is neglected. These few studies were not conducted in Nigeria where the culture is different. Thus, it is necessary to establish the link between cultural and social intelligence in Nigeria. We there hypothesis that;  $H_2$ : *There is a significant relationship between Cultural Intelligence and Social Intelligence.*

### 2.2.3 **The Mediating Role of Social Intelligence between Cultural intelligence and SMEs performance**

As established earlier, Social Intelligence is the capacity to effectively negotiate complex social relationships and environment. The relationship between social intelligence with other variables is well established in literature. Shekarey, Ladani, Rostami, and Jamshidi (2013) conducted a study to investigate the relationship between the social intelligence and aggression among the high school boy students in Kashan, Iran. The results revealed that there was a significant relationship between the social intelligence and aggression

especially verbal and physical aggression, violence, and hostility. Nouri, Pourghaz, and Jenaabad (2015) found a significant and direct relationship between administrators' social intelligence and their knowledge absorption capability. They argued that administrators with higher social intelligence can help and accelerate educational organizations to achieve their educational goals. Similarly, Social Intelligence has been found to be important for performance of selling and marketing activities and has influence over individual achievement (Boyatzis, Good, & Massa, 2012; Hartog, van Praag, & van der Sluis, 2010). Hossein, & Naser (2018) found that all the four dimensions of social intelligence, i.e. social skills, social awareness, data processing and social desirability have significant effects on innovative performance.

However, research on individual capabilities for individual effectiveness is sparse and unsystematic; leaving an important gap in our understanding of why some owners of MSMEs are more successful than others in culturally diverse situations (Ang et al., 2007). Wawra (2009) argued that social intelligence is an indispensable capability for being successful in intercultural communications. The positive relationship between social intelligence innovative performance, selling performance and individual achievement suggests that MSME owners high in social intelligence have the potentials to satisfy their customers and consequently sustain performance and growth of their businesses. In another study, Social intelligence has a positive influence on sustainable performance.

This finding warrants an explanation using Social intelligence in intercultural settings which MSMEs operate. Thus, we leveraged on theory of dynamic capabilities (Teece, et.al, 1997) to push further our argument in this study. We argue that having cultural intelligence is not sufficient to understand the cultural diversity of the customers; therefore, entrepreneurs that possess high level of social intelligence will integrate successfully in social and cultural diverse environment which today's businesses operates to help owners navigate customer relationship management and grow their business. In line with these arguments we hypothesis that; H<sub>3</sub>: *There is a positive relationship between Social Intelligence and Performance of MSMEs in Nigeria.* H<sub>4</sub>: *Social Intelligence significantly mediates the relationship between Cultural Intelligence and MSMEs' Performance.*

### **3.0 METHODS**

#### **3.1 Population, Sample and Sampling Techniques**

The population in this study comprises owners of MSMEs in Plateau State. According to report by SMEDAN/NBS (2017), Plateau State has 786,404 MSMEs. Thus, a sample of 400 owners of MSMEs was determined using Yamane (1967) formula. Cross sectional survey method was employed for data collection and respondents were selected using simple random sampling techniques in Jos-Bukuru Metropolis. The choice of the unit of observation was because of the high concentration of MSMEs and the ease to access the owners. A non-contrive setting was adopted in data collection to ensure negligible interference with the work of the business owners. Data used in this study was obtained through a self-response questionnaire administered to the selected MSMEs owners.

### 3.2 Measures and Analysis

All the constructs in this study were measured using existing scales. Cultural Intelligence was measured using four dimensional scale by Early and Ang (2003) with 20 items with following Cronbach alfa values; Meta-cognitive ( $\alpha=0.76$ ) Motivational ( $\alpha=0.76$ ); Behavioral ( $\alpha=0.83$ ) Cognitive ( $\alpha=0.84$ ). Tromso Social Intelligence Scale developed by Silvera, Martinussen, & Dahl (2001) was used to measure social intelligence. This questionnaire is composed of 21 items with three dimensions; Social Information Processing ( $\alpha =0.86$ ; Social Skills ( $\alpha=0.84$ ; Social Awareness ( $\alpha=0.87$ ). The outcome variable MSMEs Performance was measured using the balanced scorecard approach by Kaplan & Norton, (1992). The scale measured financial and non-financial indicators of business performance such as Growth in sales, market share and profit, Return on Assets (ROA), Return on Equity (ROE), Return on Sales (ROS) and Return on Cash flow (ROCF), customer and employees' satisfaction, and Employees' turnover. Cultural and Social Intelligence were assessed on a 5-point Likert-typed ranging from 1 (strongly disagree) to 5 (strongly agree) while MSME performance was measured on a 5-point likert type scale ranging from 1(Very Low) to 5(Very High). All the scales were adapted and have achieved acceptable threshold of 0.7 Cronbach alpha values (Nunnaly, 1978). Since all the constructs were continuous or metric variables, multiple regressions were used for data analyses in SPSS.

Though multidimensional scales were used to measure the variables in this study, the scales were summated since the analysis were at the construct level. The Classical test theory was the underlying rationale behind the summated rating scale (Spector, 1992).

## 4.0 RESULTS

### 4.1 Respondents Data

Data used for analysis was based on 250 respondents out of the 400 questionnaires administered. This is because some of the questionnaires were not returned and some returned questionnaires were not fully completed thus excluded from the data used for analysis. The result indicates that 72.4% of business owners that participated in the survey were male while 27% were female indicating gender gap in entrepreneurial participation. Majority of the respondents were within the age brackets of 20-29 and 30-39 respectively. This suggests that majority of MSMEs in Nigeria are owned by the youth. The highest educational qualification of most business owners that participated in the survey were SSCE (40.8%) and degree holders (30.8%). Majority of the businesses surveyed were micro businesses (65.6%) while small businesses constitute 25.6% and medium scale businesses having 8.8% confirming the dominance of micro businesses in Nigeria. The duration of operation among the surveyed businesses ranged between 1-5years (44.8%) followed by those that operated for less than 1 year (25%) with few of them operated above 10years (17.2%). This result confirms the findings that reveal that 80percent of MSMEs fold-up within the first five years of their establishment (Agwu & Emeti, 2014). Majority of the business owners rated their business performance as average (52.4%) and 23.6% rated their business performance as good, 18.4% rated their performance as not good. This statistic suggest that more business failures are eminent. The average performance of MSMEs in the last one year may be associated with the impact of COVID-19 which has

affected businesses globally but the value of entrepreneurs' CQ and SI to improving business performance cannot be ignored.

#### 4.2 Correlation Coefficient Determination

Bivariate Pearson correlation analysis was conducted to examine the correlation between the predictor variables (CQ and SI) and MSME performance. The result indicates a significant relationship between the constructs under study. Variance Inflation Factors (VIF) was examined for issues of collinearity. VIF values above 5 are indicative of probable collinearity issues among the predictor constructs. Thus VIF values close to 3 and lower are acceptable (Hair, Hult, Ringle and Sarstedt, 2014). The result show that VIF values were less than the threshold of  $\leq 3.0$  and the tolerance values  $> 0.10$ . The variances explained between the independent variables to the dependent variable substantially differ suggesting no case of multi-collinearity. See table 1.

**Table 1:** Correlation Determination

Variables	1	2	3	VIF	Tolerance
1. MSME Performance	<b>1</b>				
2. Cultural Intelligence	.674**	<b>1</b>		2.420	0.413
3. Social Intelligence	.625**	.766**	<b>1</b>	2.420	0.464

#### 4.3 Model Evaluation

Model was assessed using the R-squared value ( $R^2$ ) and ANOVA. The  $R^2$  values of 0.2 or higher are substantial, values of 0.13 are moderate and values of 0.02 are considered weak (Hair, Risher, Sarstedt, & Ringle, 2019). Based on statistical metrics, the R-Square value of 0.483 indicates that CQ and SI substantially predict MSME performance substantially. This indicates 48.3% of the total variance in MSMEs performance was substantially explained by Cultural and Social Intelligence. Similarly, the estimated standard error for the model is 4.44% indicates a high precision with which the regression coefficient is measured. See table 2.

**Table 2:** Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695 <sup>a</sup>	.483	.479	4.436

The examination of the ANOVA in table 4 further confirm that all the independent variables significantly predict the dependent variable ( $df = 4536.94$  (2),  $F=115.30$ ,  $P = 0.000 < 0.05$ ) indicates that the regression model is a good fit with data. See table 3.

**Table 3:** ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4536.94	2	2268.47	115.30	.000 <sup>b</sup>
	Residual	4859.46	247	19.67		
	Total	9396.40	249			

- a. Dependent Variable: MSME Performance
- b. Predictors: (Constant), Cultural Intelligence, Social Intelligence

4.4 **Hypotheses Testing**

The hypotheses developed were to determine the direct relationship between Cultural, Social Intelligence and MSMEs performance. Also, the intervening role of Social Intelligence was also hypothesized. A relationship is considered significant at a P-value less than 0.05 (95% confidence level) and the t-values > 1.65 for a one tailed test (Hair, Ringle, & Sarstedt, 2014). See table 4 for results of the hypotheses tests for the direct relationships.

**Table 4:** Results Hypotheses Tests

Hypotheses	Direct Relationships	Std Beta	Std Error	T-Stat	P-Value	Decision
H <sub>1</sub>	CQ -> MSMEs Performance	0.674	0.027	14.375	0.000	Supported
H <sub>2</sub>	CQ -> Social Intelligence	0.766	0.040	18.766	0.000	Supported
H <sub>3</sub>	SI -> MSMEs Performance	0.625	0.028	12.596	0.000	Supported

**Note:** CQ = Cultural Intelligence, SI = Social Intelligence

The result of hypotheses one reveals a significant positive relationship between Cultural Intelligence and MSMEs performance with a beta value ( $\beta = 0.674$ ) which is less the threshold 0.05 significance level and the t-value of 14.375 greater than the 1.65 or higher cut-off mark for a one-tailed test therefore hypothesis one was supported. This implies that for every increase in entrepreneurs' cultural intelligence will result to 67.4% increase in business performance. The relationship between Cultural and Social Intelligence in hypothesis two reveal a significant positive relationship. The beta value was ( $\beta = 0.766$  and t-value = 18.766) implying that for every increase in entrepreneurs' Cultural Intelligence will increase Social Intelligence by 76.6%. The hypothesis evaluating the relationship between Social Intelligence and MSMEs performance in hypothesis three was positively significant. The beta value was ( $\beta=0.625$  and the t-value = 12.596) signifying that the hypothesis was supported. This implies that an increase in entrepreneurs' SI will account for 62.5% increase in MSMEs performance in Nigeria.

Hypothesis four was formulated to examine the mediating role of social intelligence between Cultural Intelligence and MSMEs performance. To test for mediation, Baron and Kenny (1986) procedures were followed using the PROCESS Macro in SPSS. According to Baron and Kenny, mediation is said to occur when; 1) the independent variable (IV) significantly affect the mediator (*path a*), 2) the IV significantly affect the dependent variable (*path c*), and 3) the effect of the IV in the DV shrinks upon the addition of the mediator to the model.

The result of the PROCESS Macro run in SPSS indicates that all the paths were positively significant indication that social intelligence is mediated between Cultural Intelligence and MSMEs performance. To further confirm the mediating effect and significance, Sobel test was conducted by inserting the values of the unstandardized path coefficients (Beta values) of paths “a” and “b” (CQ->SI->MSMEs Performance) along with the associated standard errors (Preacher & Hayes, 2004).

The result of the Sobel’s test reveals a significant indirect effect of Cultural Intelligence on MSMEs performance with the t-value at 5.974, P-value 0.000<0.05 indicating that mediation has occurred. The examination of the PROCESS result in SPSS further reveal that 500 bootstrapping at 95% confidence interval has the LLCI = 0.332, ULCI = 0.541 with an indirect effect size of ( $\beta = 0.432$ ) indicating that the indirect effect of Cultural Intelligence through Social Intelligence account for 43.2% variance to MSME performance. Since the observed P-value from the Sobel test was 0.000 less than 0.05 and the lower and upper limits of confidence intervals for the indirect effect did not include a zero in between the intervals further confirm a mediation effect (Hair et.al, 2014). This result indicates that Social Intelligence has a complimentary partial mediation effect on MSMEs performance since the direct and indirect relationships are positive and significant (Cepeda, Nitzl & Roldán, 2018). See table 5.

**Table 5:** Mediating Role of Social Intelligence

Hypothesis	Indirect Relationship	Std Beta	Std. Error	T-Stat.	LLCI	ULCI	P-value	Decision
4	CQ->SI->MSME Perf.	0.432	0.025	10.578	0.332	0.541	0.000	Supported

4.5 **Discussion**

The research was conducted to examine the direct effect of Cultural Intelligence on MSMEs performance in Nigeria when the intervening variable social intelligence is introduced.

The results of the hypotheses one test reveal a positive and significant direct relationship between Cultural Intelligence and MSMEs performance. This finding is consistent with the viewpoint by Lima et al., (2016) that entrepreneurs with high level of Cultural Intelligence stand better chances of success compared to those with low Cultural Intelligence. The substantial predicting power of Cultural Intelligence is not surprising because Nigeria and Plateau State in particular is multicultural in nature therefore possessing high Cultural Intelligence holds a great potential for success in business interactions. Thus, MSMEs

owner and employees must refocus efforts towards developing their cultural intelligence and that of employees to promote quality of service delivery and in creating beneficial interpersonal connections between business and clients.

The finding in hypothesis two reveal a significant and positive relationship between Cultural and social intelligence. The finding in this study is related to the study by Hamid and Mojtaba, (2016) that indicated significant correlations between cultural intelligence, spiritual intelligence, and social intelligence with job satisfaction of the employees. Esfandiari and Nikoopour (2017) also found that Cultural intelligence has correlation with Social Intelligence, Trait Emotional Intelligence, and Spiritual Intelligence. The lack of evidence supporting this relationship has in Nigerian setting validated the value of this finding that demonstrated the strong link between Cultural and Social Intelligence.

The direct relationship between social intelligence and MSMEs performance in hypothesis three was positive and significant. The finding is related with the research by Hossein, and Naser (2018) and Ebrahimpoor, et.al, (2013) that found a significant and positive relationship between all the four dimensions of social intelligence and innovative performance. Only through having superior social skills, the individuals know where and when to show emotional state (Ebrahimpoor, et.al, 2013). The research by Boyatzis et.al, (2012) stressed the importance of Social Intelligence to the performance of sales; marketing activities and individual achievement further lend credence to this finding. Leveraging on the theory of dynamic capabilities in line with the findings, we conclude that though individuals' Cultural Intelligence accounts for business success, possessing social intelligence is imperative to thrive in multicultural business interactions.

The mediation test result in hypothesis four shows that, social intelligence has a complementary mediating effect and offers explanation to the underlying mechanism through which the indirect effect of entrepreneurs' Cultural Intelligence influences MSMEs performance. The finding is consistent with the viewpoint by Habib et.al. (2013) that an organization's ability to perform in cross-cultural and inter-cultural environment requires the entrepreneur to be socially intelligent. The presence of a substantial mediation effect also indicates that possessing high social intelligence holds the potential to perform more effectively in a diverse cultural setting. It is pertinent to note that behavior construed as socially intelligent may have different manifestation and aims in different cultures. In a culture, where shared values, customs and habits are common denominators of social behavior, such values provide templates of activities in interpersonal situations that promote social cohesion, harmony, predictability and safety (Habib et.al, 2013). The above discussion shows that the core of social intelligence is determined by the culture and norms, values, social setup, social roles, and responsibilities.

A number of practical, theoretical and policy implications can be drawn from this study;

**Practical Implication:** The results suggested that Cultural Intelligence is a key capability entrepreneur must develop to conduct business more successfully. The findings also gave insight to SMEs owner on the need to recruit employees high in Cultural and Social Intelligence to meet the ever changing demands of customers for business success. In addition, entrepreneurs will be better informed on other personal requirements for more effective new venture creation and sustainability.

**Theoretical Implication:** The establishment of the link between Cultural, Social Intelligence and MSMEs performance as well as the utilization of the theory of dynamic capability to underpin this study are additions to entrepreneurial literature. The mechanism Social Intelligence used in this study offered explanation to why some individuals have a higher success in their businesses irrespective of the harsh business environment in Nigeria. The inclusion of micro businesses that constitutes over 90% of businesses in Nigeria was a departure from the norm with previous researches that only covers small and medium enterprises.

**Policy Implication:** The findings of this study will enable business owners and educational institutions to develop and implement policies and capacity building programmed that support individual's cultural and social intelligence to influence entrepreneurial outcomes. Because SMEs are considered a key driver of a country's economic development, Cultural Intelligence training could be an important choice on which the government should focus.

#### 4.6 **Limitations and Direction to Future Research**

The study provides useful insights but some challenges were encountered. Firstly, the study was conducted among SMEs operating in Jos-Bukuru Metropolis in Plateau State Nigeria. Though it is a cosmopolitan city with a high concentration of MSMEs, extending the research to other parts of Plateau States with significant MSMEs concentration would have being a better representation of the population in Plateau State. Future studies should consider surveying MSMEs located outside the area covered in this study. Secondly, our study operationalised Cultural and Social Intelligence at the construct level which was unable to isolate the dimensions of Cultural and Social Intelligence that have more potential to influence MSMEs performance. Future research should consider exploring the constructs at the dimensional level for better insights.

### 5.0 **CONCLUSION AND RECOMMENDATIONS**

The thrust of the research was to establish other factors that are internal to the entrepreneur that when harnessed can impact positively on business performance. We found that cultural and social intelligence holds the potential to increase the performance of MSMEs in Nigeria. In addition, entrepreneur's social intelligence is of great value to successfully boast business performance in a cultural diverse environment which today's businesses operate. These findings offered explanation to the differences in the performance of some of the businesses that have managed to thrive in the Nigerian business landscape. In line with these revelations, we leverage on the theory of multiple intelligence to bring to light some theoretical as well as practical contributions from the outcome in this study. The findings of this research are a departure from the emphasis on the external factors affecting MSMEs performance in Nigeria. Deliberate efforts must be made by policy makers and

business owners to develop and implement policies and capacity building programmed to enhance and support effective entrepreneurial outcomes. These programmed and policies should target interpersonal skills, empathy and effective communication skills, conflict, diversity management and change management.

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