Is the Entrepreneurial Ecosystem Enough? The Contingent Role of Owner-Manager's Strategic Competence on Micro-firms Outcomes.

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Abstract

This study examined the contingent role of owner-manager competence on the relationship between entrepreneurial ecosystem and performance of microenterprises in Benue State, Nigeria. The study was guided by 2 research objectives, corresponding questions, and hypotheses, which collectively sought to assess the effect of a critical ecosystem factor and the contingent role strategic competency on microenterprise outcomes. Anchored on the Resource-Based View (RBV) and Systems Theory, the research conceptualized enterprise performance as the outcome of the dynamic interaction between environmental conditions and firm-level strategic resources. A survey research design was employed, and primary data were collected from 108 owner-managers of agro-processing microenterprises. The data were analyzed using linear regression technique and Hayes moderation analysis, to test the direct and moderating relationships respectively. The study established a significant positive relationship between government policies as acritical ecosystem factor and the financial performance of microenterprises. The findings further revealed a critical interaction effect, wherein strategic competence plays a deciding role in how government policies affect micro-firms' performance. The study concluded that microenterprise performance was shaped by the synergistic interplay between entrepreneurial ecosystem conditions and internal entrepreneurial capabilities. The findings advanced management theory by highlighting the contingent and interactive roles of ecosystem elements and firm-level resources in driving microenterprise success within developing economies.

Keywords: Entrepreneurial Ecosystem, Entrepreneurial Capabilities, Strategic Competence. Micro-businesses, Firm Performance, Developing Economies

1. Introduction

Small businesses that effectively transition into medium and eventually large enterprises are vital for driving economic growth. Schumpeter's seminal work (1934) characterizes entrepreneurs as "agents of creative destruction," emphasizing their significant role in the economic transformation and advancement of a society. The essential contributions of entrepreneurship and micro, small, and medium enterprises (MSMEs) in fostering innovation and economic development is well acknowledged (UNIDO, 2017; WEF, 2013; World Bank Enterprise Survey, 2010). Globally, entrepreneurship has emerged as a key driver of economic progress, with countries like Singapore, South Korea, Malaysia, India, Thailand, and China reaping substantially from a thriving MSME sector (Sengla, 2023; Arya, 2019; Kshetri, 2014). Meanwhile, despite the vast entrepreneurial potential within Africa, certain constraints have undermined the performance of the MSMEs in the region. This is evident in their high mortality rate, with five out of every seven new business failing in their first year (Muriithi, 2017). The underperformance among MSMEs in the region has had adverse impact on the economies and citizens of this region. Although the continent has shown significant improvement in business environment in the last ten years, thereby attracting numerous businesses from different parts of the world, it is still ranked by World Bank as the most difficult region to do businesses for MSMEs (Ghanez & Bimenta, 2019).

The National Policy on MSMEs in Nigeria seeks to accelerate the growth of enterprises along the value chain, enabling their transition from micro to large enterprises ultimately, and thus enhancing their contribution to GDP and employment generation (SMEDAN, 2017; 2013). However, despite numerous policy interventions, a staggering 99.8% of Nigeria's over 41 million MSMEs remain classified as micro-enterprises (NBS, 2017). The negligible transition rate particularly, among microenterprises underscores systemic issues within the Nigerian entrepreneurial ecosystem (Egere, 2022; Ratten & Jones, 2018; Mason & Brown, 2014). The sheer proportion of micro enterprises in Nigeria relative to the number of small and medium enterprises, is unduly high when compared to other developing economies such as Ghana with 81% (GCB, 2023), and Malaysia with 76.5% (Malaysia SME CORP, 2023). These microenterprises rarely scale and remain largely subsistent according to Mass, et at (2022). Consequently, they are unable to contribute meaningfully to addressing important societal issues such as rising unemployment and poverty rates in the country.

Despite the enormous entrepreneurial opportunities in Africa, and Nigeria in particular, the region is faced with major constraints to realizing its entrepreneurial potentials. These constraints range from ineffective and unsupportive government policies (Kamunge et al., 2014), and lack of access to financing (World Bank Enterprise Survey, 2010), corruption (Igwe, Amaugo, Ogundana, Egere, and Anigbo, 2018), poor managerial skills (Inyang & Enuoh, 2009), poor electricity supply (World Bank Enterprise Survey, 2010) to lack of skilled human capital (Abolade, 2022). Notwithstanding these challenges, MSMEs have contributed commendably to the socioeconomic development of the region (Ullah, 2019). However, the performance of MSMEs in Nigeria in particular, remains weak compared to their counterparts in other regions (Jegede, & Irewole, 2021; Igwe et al. 2018). The United Nations Industrial Development Organization (UNIDO, 2017) reports that only 20% of MSMEs in Nigeria survive beyond a decade. This high failure rate prompts critical inquiries into the viability of the entrepreneurial ecosystem in which these enterprises operate.

Although there is numerous evidence in support of the crucial role of entrepreneurial ecosystem in firm performance, Lumpkin and Dess (2001), and Li and Atuahene-Gima (2001) have contended that 'entrepreneurial firms' (i.e., firms with entrepreneurial competencies and orientation) can thrive even under unfavorable and uncertain ecosystems. This assertion has scarcely been empirically substantiated, even though several studies have confirmed the direct effect of entrepreneurial competency on enterprise performance (Klyver & Arenius, 2020; Hashim et al., 2018; Inyang & Enuoh, 2009; Mitchelmore & Rowley, 2010).

Several existing studies have investigated the influence of entrepreneurial ecosystem, as well as the direct effects of entrepreneurial competency on firm performance (Adebayo, 2024; Babayayi, Zubairu, & Badara 2021; Mansi, 2021; Klyver & Arenius, 2020; Basco et al., 2020; Isichei et al., 2019; Olubiyi et al., 2019; Hashim et al., 2018; Olutuase, Brijlal, Yan, & Ologundudu, 2018). However, the moderating roles of entrepreneurial competence as inferred by Lumpkin and Dess (1996) has not been empirically investigated, thus creating a significant knowledge gap. This present study contributes to addressing this gap by examining the entrepreneurial ecosystem's impact on the performance of microenterprises, with a focus on the contingent role of entrepreneurial competency of the owner-managers. This focused approach yielded more nuanced and valuable insights into the ecosystem-firm performance dynamics within the context of developing economies.

2. Objectives of the Study

The aim of this study was to investigate the moderating effect of strategic competence of owner-managers of microenterprises on the relationship between entrepreneurial ecosystem and performance of the microenterprises. The specific objectives were to:

i. Assess the influence of government policies and regulations on the financial performance of microenterprises.
ii. Examine the contingent role of strategic competence on the relationship between government policies and regulations and financial performance of micro-enterprises.

3. Literature Review and Hypotheses Development

3.1. Entrepreneurial Ecosystem

The term 'entrepreneurial' refer to a process in which opportunities for creating new goods and services are explored, evaluated, and exploited (Schumpeter, 1934; Shane & Venkataraman, 2000), while the term 'ecosystem' is borrowed from biology where it was initially coined in 1935 by the British botanist Arthur George Tansley. He employed the term to highlight the significance of interactions and interdependence between living organisms and their abiotic environment, conceptualizing them as a cohesive, integrated system (Tansley, 1935). The fundamental ideas behind entrepreneurial ecosystems emerged in the 1980s and 1990s as part of a shift in entrepreneurship studies away from individualistic, personality-based towards a broader community perspective that incorporates the role of social, cultural, and economic forces in the entrepreneurship process (Nijkamp, 2003; Steyaert and Katz, 2004; Stam and Van de Ven, 2018).

Initially, the concept of 'entrepreneurial infrastructure' was developed through the works of Pennings (1982), Dubini (1989), and Van de Ven (1993) to explain the influence regional economic and social factors have over the entrepreneurship process. Building on previous movements that removed the individual entrepreneur as the sole locus of value creation, the new contextual turn emphasizes the importance of situating the entrepreneurial phenomenon in a broader context that incorporates temporal, spatial, social, organizational, and market dimensions of context (Zahra et al., 2014). Drawing from biological concepts, the metaphor of an entrepreneurial "ecosystem" has seen rising adoption among both scholars (Stam, 2015; Spigel, 2017) and practitioners (Feld, 2012; Isenberg, 2010) for analyzing the contextual factors influencing entrepreneurship within specific

geographical areas, including countries, regions, and cities. Spigel (2017) suggests that while ecosystems can have different structures and origins, their success lies in their ability to create a cohesive social and economic system that supports the creation and growth of new ventures. Other works such as (Kenney, 2005; Feldman, 2001; and Aoyama, 2009) have highlighted and emphasized the critical influence of context on entrepreneurial success. Essentially, an entrepreneurial ecosystem refers to a set of interdependent and inter-related actors and components, within a geographic region, that enable productive entrepreneurship (Lux, Macau, and Brown, 2020).

Van de Ven (1993) was one of the first to propose three broad components of an ecosystem (or what he terms an 'infrastructure") for entrepreneurship, and they include: (1) institutional arrangements that legitimate, regulate, and incentivize entrepreneurship, (2) public resource endowments of basic scientific knowledge, financing mechanisms, and pools of competent labor, market demand of informed consumers for the products and services offered by entrepreneurs, and (3) proprietary business activities that private entrepreneurs provide through R&D, manufacturing, marketing, and distribution functions. Overtime, practitioners have elaborated and expanded on these elements of entrepreneurial ecosystem. Feld (2012) for example, emphasized the interaction between the players in the ecosystem (with high network density, many connecting events, and large companies collaborating with local start-ups) and access to all kinds of relevant resources (talent, services, capital), with an enabling role of government in the background. Isenberg (2010) formulated six distinct domains of an ecosystem: policy, finance, culture, support, human capital and markets. This largely elaborates Van de Ven's (1993) infrastructure components, as well as eight pillars proposed by the World Economic Forum (2013) for a successful ecosystem. These pillars focus on the presence of key factors (resources) like human capital, finance and services; the actors involved in this (talent, investors, mentors/advisors, entrepreneurial peers); the formal (government and regulatory framework) and informal institutions (cultural support) enabling entrepreneurship; and finally, access to customers in domestic and foreign markets.

Building on prior academic studies (see Stam, 2015; Stam and Spigel, 2018), Stam and Ven de Van (2021) propose an integrative model of entrepreneurial ecosystems consisting of ten elements and entrepreneurial outputs. The ten elements are operational constructs of the broader concepts of institutions and resources of an entrepreneurial ecosystem. The institutional arrangements

component is captured by the formal institutions, culture and network elements. The resource endowment component is captured by the physical infrastructure, finance, leadership, talent, knowledge, intermediate services, and demand elements. The presence of these elements is crucial for the success of the ecosystem (Stam & ven de Van, 2021). Meanwhile, the formal institutions reflected by government policies and regulations has remain constant across all the models, indicating its overarching influence in the ecosystem. This study will therefore focus on government policies and regulations as a proxy of the entrepreneurial ecosystem. entrepreneurial competence.

3.1.2. Government Policies & Regulations

Government policy relating to taxes and business regulations often affect entrepreneurial activities (Kreft and Sobel, 2005). For example, low tax and duty exemptions in a specific sector may stimulate investment and promote growth, while high tax rates on imported goods could encourage local production. Conversely, elevated tax rates on raw materials may hinder domestic production. The aim of ecosystem policy is to enhance the environment surrounding such firms to achieve this objective. However, this presents challenges for public policy, as it is not immediately clear how government intervention could effectively promote the emergence of entrepreneurial ecosystems or stimulate essential processes such as spin-offs and the establishment of various forms of entrepreneurial support. There are certainly no straightforward policy solutions or "silver bullets" (Isenberg, 2011) in this context. Meanwhile, Mason and Brown (2014) propose a taxonomy which recognises four aspects of the entrepreneurial ecosystem that can be targeted by policy makers, they include: entrepreneurial actors within the ecosystems, entrepreneurial resource providers within the ecosystems, entrepreneurial connectors within the ecosystems, and entrepreneurial orientation in the ecosystems. These aspects of the ecosystem are interdependent, and they collectively play vital roles in facilitating productive entrepreneurship within a region.

Efficient policies and regulations lower transaction costs for businesses and create a conducive environment for both existing and new ventures (Fritsch & Storey, 2014; Williams & Vorley, 2015). The effects of government policies and regulations on the sustainability of agro-processing microenterprises is of particular interest because, this sub-sector of the industry is subject to strict regulations concerning food safety, labeling, and advertising among other things. Consequently, some of the microenterprises operating in this sector operate under sever constraints that threaten

the long-term performance and survival of their business. The effect of government policies and regulations on firm performance has been reported differently by different studies. While some have reported positive significant effect or relationship (Tella and Ogundeinde 2024; Ben, Brownson, and Akpaetor, 2023), others have reported inadequacy (Egere, Mass, and Jones, 2024) and negative effect of government policy on MSME performance in Nigeria (Udoh, Inim, Emiesefia, & Akyuz, 2023; Akinyemi & Adejumo, 2018). The mixed findings reported from the Nigerian context necessitates further study on this element of the ecosystem.

3.2. Firm Performance

Firm performance (FP) represents one of the most extensively examined constructs within the fields of organizational and strategic management (Venkatraman & Ramanujam, 1986). Broadly, FP denotes the extent to which an organization effectively achieves its predetermined goals and objectives (Richard, Devinney, Yip, & Johnson, 2009). However, its inherently complex and multidimensional nature has led to significant theoretical and empirical divergence concerning its conceptualization and measurement (Venkatraman & Ramanujam, 1986), Venkatraman and Ramanujam (1986, p. 801) assert that "improving performance is at the heart of strategic management," highlighting the centrality of understanding FP for both theoretical advancement and managerial practice. Consequently, numerous studies have sought to refine the conceptualization and operationalization of FP and existing studies have adopted diverse dimensions and measures of FP. Scholars who subscribe to the resource-based perspective have emphasized internal determinants of performance, focusing primarily on efficiency, productivity, and profitability. Nonetheless, external environmental factors such as regulatory frameworks, infrastructure quality, corruption, and access to finance also exert significant influence on firm outcomes (Salihu & Junaidu, 2019); Chikere & Nwoka, 2014; Oyeku, Oduyoye, Elemo, Akindoju, and Karimu, 2014). Consequently, some scholars advocate for an integrative approach that incorporates both financial and non-financial indicators to achieve a more accurate and comprehensive assessment of firm performance (Boso et al., 2013; Neneh, 2018). The debate regarding the dimensionality of firm performance has persisted within strategic management research. The literatures in organizational theory and strategic management have relied largely on three main approaches to assess firm performance, namely, a goal-based approach, systems approach and multiple constituency approach. This study adopts the goal-based approach which emphasizes key performance indicators such as financial performance.

3.3. Entrepreneurial Competency

McClelland (1973) originally defined *competency* as a composite of characteristics encompassing skills, knowledge, abilities, and behaviors necessary for success in a given endeavor. Building on this, Man, Lau, and Chan (2002) conceptualized entrepreneurial competency as a set of advanced attributes comprising personal traits, abilities, and expertise that enable entrepreneurs to effectively fulfill their roles and responsibilities. Similarly, Sarwoko et al. (2013) described entrepreneurial competencies as individual attributes, including beliefs and behaviors, that facilitate business success, provided that the broader political, socio-cultural, and economic environments are supportive. Likewise, Kiggundu (2002) described entrepreneurial competencies as clusters of characteristics essential for business sustainability. Success in any endeavor including entrepreneurship requires a combination of specific skills, knowledge, aptitudes, and personal qualities. Within the entrepreneurial domain, these attributes are collectively framed as *entrepreneurial competencies* and the include strategic competence, relationship competence, opportunity competence, conceptual competence, learning competence, and organizing and leading competence. The focus of this study is solely on strategic competency due to its versatility and relevance to the context of this study.

3.3.1. Strategic Competence

Contemporary strategic management literature conceptualizes strategic competence as a specialized dimension of dynamic capabilities, essential for navigating rapid environmental shifts (Arif & Herawan, 2025; George, et al., 2022). Man (2001) defines strategic competency elaborately as the ability to: (a) project future directions and how change may affect the organization, (b) prioritize activities in connection with business goals, (c) restructure the company to better accomplish its goals, (d) align current activities with business goals, and (e) design the firm to meet the firm's objectives. Also, some researchers opine that an entrepreneur's ability to handle change is a strategic talent related to a company's competitive success, especially in highly competitive and dynamic environments (Bird, 2019; Kim & Baek, 2019; Sakib, 2022). While dynamic capabilities broadly encompass a firm's adaptive capacity to sense, seize, and reconfigure assets in response to environmental volatility (George, et al., 2022), strategic competence is specifically delineated as the mechanism responsible for ecosystem value extraction. It acts as a critical filter, regulating the efficiency with which external opportunities and resources are translated into competitive advantage and organizational performance.

The importance of strategic competence in enterprise success has been highlighted by several scholars. For instance, Ahmad (2007) emphasized the importance of entrepreneurs' strategic behaviors in effectively managing SMEs in Malaysia and Australia. Similarly, Man et al. (2002) gave a theoretical justification for the favorable effects of an entrepreneur's strategic insight on the success of SMEs. Several studies have shown a strong link between entrepreneurs' strategic competency and SMEs' performances (Ahmad et al., 2017; Fazal, Al Mamun, Bin Ahmad, & Masud, 2019; Subagyo (2020), demonstrating that an entrepreneur's strategic competency plays essential role in the success of the enterprises.

3.4. Hypotheses Development

Government policies and regulations can significantly impact business performance, often creating both opportunities and challenges for companies to thrive long-term. Government policy relating to taxes and business regulations often affect entrepreneurial activities (Kreft and Sobel, 2005). However, the effect of government policies and regulations on firm performance has been reported differently by different studies. While some have reported positive significant effect or relationship (Tella and Ogundeinde 2024; Ben, Brownson, and Akpaetor, 2023), others have reported inadequacy (Egere, Mass, and Jones, 2024) and negative effect of government policy on MSME performance in Nigeria (Udoh, Inim, Emiesefia, & Akyuz, 2023; Akinyemi & Adejumo, 2018). The effects of government policies and regulations on the performance of agro-processing microenterprises is of particular interest because, this sub-sector of the industry is subject to strict regulations concerning food safety, labeling, and advertising among other things. Consequently, some of the microenterprises operating in this sector operate under sever constraints that threaten the long-term performance and survival of their business. Nigeria is faced with major constraints to realizing its entrepreneurial potentials and inadequate government policies is one of the major constraints according to (Umoh, 2025; Ahmadu, Joshua, Udo, & Ediuku, 2025; Kamunge et al., 2014). We therefore hypothesize that:

H_1: Government policies and regulations have a significant effect on financial performance of microenterprises.

Furthermore, according to Oyeku, Oduyoye, Elemo, Akindoju, and Karimu, (2014), enterprise success will always depend on external (environmental) factors, and individual characteristics of entrepreneurs responsible for decision-making on how to run the business process. While studies

on which entrepreneurial competencies will be predictive of MSMEs' success are largely inconclusive (Haque & Kozlovski, 2018), Shane et al. (2003), Inyang & Enuoh (2009) and Gumusay & Bohne (2018) recognized that individual competencies play a vital role in fostering sustainable MSMEs performance and development. Muhammed (2016) has asserted that entrepreneurial competencies are not only necessary ingredients for MSMEs success; they are the missing link within Nigerian MSME sector. For instance, Babayayi, Zubairu, and Badara (2021) examined the impact of entrepreneurial competencies on the performance of small and medium sized enterprises in North-East Region of Nigeria. The finding showed that strategic competency, organizing and leading competencies, and opportunity competencies are positively related to SME performance. Ibidunni, Olokundun, Oke and Nwaomonoh (2017) sought to ascertain the role of entrepreneurial competencies in enhancing the performance of agro-based SMEs in Nigeria. The findings revealed that, only opportunity competence had significant positive association with profitability and sales growth. Conceptual and strategic competencies had positive significant relationship with organizational effectiveness, whereas a negative effect was observed between commitment competency and organizational effectiveness. Yet another study by Okonye, Akpan, and Egbule, (2024) on the effect of entrepreneurial competencies on the performance of MSMEs in Nigeria revealed that opportunities recognition, technical, and relational competencies all have significant effect on performance of the MSMEs.

It is widely established that exogenous environmental factors, particularly government policies and regulations, serve as pivotal determinants of enterprise performance. Yet, the mechanism through which internal capabilities interact with these external forces requires further elucidation. Also, while the direct influence of entrepreneurial competence on firm performance is gaining increasing empirically attention, there is a paucity of studies examining its moderating function. Specifically, the extent to which strategic competence (one of the key elements of entrepreneurial competence) amplifies or buffers the impact of the broader entrepreneurial ecosystem on firm performance remains largely underexplored. We therefore hypothesize that:

H_2: Strategic competencies significantly moderate the relationship between government policies and financial performance of microenterprises.

4. Materials and Methods

4.1. Research Design and Participants

This study employed a cross-sectional survey research design which is a research design whereby data from the study respondents are collected at a specific point in time (Lau, 2017). The population of the study consist of owners/managers of the 117 microenterprises involved in agro-processing in Benue State, Nigeria. A census approach was employed, utilizing the entire population for the study. In a census, data collection involves comprehensive enumeration, resulting in a sample size that is equivalent to the total population size. Hence, the researcher used the entire population 117 as the sample. According to Singh and Masuku (2014), a census is more appropriate for populations of less than 200. The census method is selected not only due to the relatively small size of the population but also because it offers a comprehensive and accurate representation, encompassing all members. Additionally, the margin of error is generally minimal when employing a census, as it includes the entire population (Sudman, 1976).

4.2. Operational Measures of Variables

This study investigates the influence of entrepreneurial ecosystem (independent variable) on microenterprise performance (dependent variable), and the contingent role of entrepreneurial competence (the moderating variable). While entrepreneurial ecosystem was represented by government policies and regulations, firm performance was proxied by financial performance, and entrepreneurial competence was represented by strategic competence. Each of these variables was measured using five items each, adopted from previous studies: Wube & Atwalm (2023) and Ullah, (2019). for government policies and regulations, Khan & Muhammad (2012); Cited by Lawal et al, (2018) for financial performance, and Wube & Atwal (2023), and Man, Lau, & Snape (2008) for strategic competence.

4.3. Description of Research Instrument

The research instrument for this study was a structured questionnaire to achieve neutrality and objectivity (Bryman and Bell, 2011). Presently, there is no existing comprehensive scale for measuring the effect of entrepreneurial ecosystem on enterprise performance along with the moderating effects of entrepreneurial competencies. Hence, the researcher adopted, modified, and integrated relevant instruments measuring the different variables from past studies to create the instrument suitable for this study. This was done following a thorough review of existing literature,

aiming to establish a framework specifically tailored for assessing variables within the scope of this study. Also, the modifications of the adopted instruments were necessary because they were developed and used in specific research contexts, which are not the same with the context of this present study.

4.4. Method of Data Analysis

Descriptive statistics, precisely, frequency tables and percentage methods were utilized to provide a clear and concise summary of the respondents' demographic characteristics. However, to test the hypothesis, linear regression technique and Hayes PROCESS moderation analysis were utilized to test the direct and moderating relationships respectively on SPSS v30. Hayes PROCESS was chosen instead of other techniques such as PLS-SEM, primarily because of its unique capabilities in measuring conditional effects of moderation variables, which is essential for this study. Hayes PROCESS offers superior insight by providing the conditional effects of the focal predictor across different values of the moderator. This helps provide deeper understanding of the underlying interaction mechanism.

5. Results

5.1. Demographic Profile of Respondents and their Firm

Analysis of the demographic data (Table 1) reveals a mature, educated, and female-dominated group. The data indicates that the respondents are predominantly within the country's active working-age population. The largest cohort falls within the 41–50 age range (43.5%), closely followed by the 31–40 group (34.3%). Regarding gender distribution, females comprised the majority (60.2%) compared to males (39.8%); this significant female representation suggests that regional advocacy for women in entrepreneurship is gaining traction. Educational attainment was also robust, with approximately 92% of participants holding at least a diploma. Furthermore, 96% identified as business owners or founders—a finding consistent with the typical sole proprietorship structure of micro-enterprises

Table 1: Analysis of Demographic data of respondents

Variables	Items	Frequency	Percent
Age	Below 20 years	-	-
	21-30	10	9.3
	31-40	37	34.3
	41-50	47	43.5
	Above 50 years	14	13.0
	Total	**108**	**100.0**
Gender	Male	43	39.8
	Female	65	60.2
	Total	**108**	**100.0**
Educational Level	FSLC	1	0.9
	SSCE	7	6.5
	NCE/Diploma	47	43.5
	HND/Degree	49	45.4
	Postgraduate	4	3.7
	Total	**108**	**100.0**
Job Title	Owner/Manager	104	96.3
	Manager	4	3.7
	Total	**108**	**100.0**

Assumptions for the use of Linear Regression

The assumptions for the use of linear regression in analyzing Likert-scale data which are generally considered ordinal data were carefully considered. While these scales are technically ordinal, comprising a series of ordered categories, several researchers have examined this characteristic of Likert-scale data and found consistent evidence supporting the use of these ordinal variables with five or more categories as approximately continuous variable (Sullivan & Artino, 2013; Norman, 2010; Johnson & Creech, 1983; Zumbo & Zimmerman, 1993). This is when the sum or mean of two or more ordinal variables are taken to create an approximately continuous variable. In this

study, the researcher used the sum of the ordinal scales (all responses across a set of questions) for each construct to create an approximately continuous variable which was then used in the following linear regression analyses, thus satisfying the condition of dependent and independent variables been continuous variables. The criterium of linear relationship between the variable was also established using scatterplot which also showed absence of outliers. Also, the presence of independence of observation was tested using Durbin-Watson test and the values for all variables ranged from 1.639 to 2.601, with p-values of <.001, indicating no evidence of autocorrelation among the residuals of the variables. Additionally, the assumption of normality of residuals (errors) was verified using -normal quantile-quantile (Q-Q) plot. The Q-Q plots showed points mostly following a straight line indicating approximate normality. The Q-Q plot was used instead of histogram because the latter can be less reliable for detecting subtle deviations from normality.

5.2. Hypothesis Testing and Results

H_1 : Government policies and regulations have a significant effect on financial performance of microenterprises.

Table 2: Regression results on government policies and financial performance

Variables	***B***	***SE***	***t***	***P***
Constant	8.184	.560	14.625	.001
Government Policies and Regulations	0.162	.050	3.227	.002
R^2	.089			
F (I, 106)	10.412			

Simple linear regression analysis was performed to assess the extent to which government policies and regulations could predict the financial performance of the microenterprises. The model demonstrated a significant overall fit F (1, 106) = 10.412, p <.001, with an R^2 of .089, indicating that approximately 9% of the variance in the financial performance of the microenterprises could be explained by the linear relationship with government policies and regulations. The result indicates that government policies and regulations does play a significant role in the financial performance of agro-processing microenterprises in the entrepreneurial ecosystem studied (β = .162, p < 0.002). Each one-unit improvement in government policies and regulations, the predicted financial performance will increase by approximately 0.16 units. The model's overall fit is robust,

indicating that government policies and regulations significantly contributes to the financial performance of agro-processing microenterprises.

H2: Strategic competency significantly moderates the relationship between government policies and financial performance of microenterprises.

Table 3. Model Summary for Hypothesis three

R	R-sq	MSE	F	df1	df2	p
.5433	.2951	4.4258	14.5151	3.0000	104.0000	.0000

To test the hypothesis that firm performance is a function of multiple ecosystem (internal and external) factors, and more specifically, whether entrepreneurial competency represented by strategic competence, moderates the relationship between government policies & regulations and financial performance, a moderation analysis was conducted using Hayes PROCESS Macro and the overall model was significant, R^2 = .295, $F(3, 104) = 14.52$, p = .000 (see **Table 3** for model summary). The model explained 29.5% of the variance in financial performance.

Table 4. Regression Model of the Moderation test

	Coeff (b)	SE	T	P
Constant	-12.9618	4.2774	-3.0303	.0031
GPR	2.1896	.4861	4.5041	.0000
STCM	1.1725	.2357	4.9736	.0000
Int_1	2.1125	.0269	4.1837	.0001

Product terms key:
Int_1: GPR x STCM

The result of the moderation (interaction) test presented in **Table 4.** is also significant at 0.000 significant level. Meanwhile, to avoid potentially problematic high multicollinearity with the interaction term, the variables were centered and an interaction term between government policy & regulations and strategic competency was created (Aiken & West, 1991). The results indicated that government policy & regulations β=2.19, $t(104) = 4.50$, p = 0.000; and strategic competency β =1.17, $t(104) = 4.97$, p = 0.000 are both significant predictor of financial performance. Similarly, the results for the interaction term indicates that strategic competence significantly moderates the relationship between government policies and financial performance β=2.11, $t(104) = 4.18$, p = 0.000). Hence, the null hypothesis (H_{05}) is rejected given that the results provided statistically significant evidence to support the conclusion that strategic competence has a significant positive

moderation effect on the relationship between government policies and financial performance.

Table 5. Conditional Effects of the focal predictor at values of the moderator(s)

STCM	Effect	se	T	p
-4.5878 (Low)	-.0611	.0700	-.8734	.3844
1.9722 (Ave)	-.0971	.0820	-1.2734	.2834
4.5878 (High)	.6771	.1304	5.1909	.0000

Haven established the presence of moderation effect, table 4 presents the conditional effects of the focal predictor (i.e. government policies and regulations) across different values of the moderator. The results showed that at the low and average levels of strategic competence (i.e. the moderator), the effect of government policies and regulation on financial performance is insignificant (-4.5878, $p = 0.3844$), and (1.9722, $p = 0.2834$), respectively. However, the effect of the government policies and regulations is significant at the high level of strategic competence (4.5878, $p = 0.000$). Results of the simple slope analysis conducted to better understand the nature of the moderating effect confirmed that Strategic competence only moderates the impact of government policies & regulations on financial performance at the high level of the moderator. This implies that a unit increase in strategic competence of the owners/managers of agro-processing microenterprises will result to a 67% increase in the effect of favorable government policies on their financial performance.

6. Discussion of Findings

The findings from this study offer a nuanced understanding of how macro-level factors interact with micro-level capabilities to drive enterprise outcomes. First, it was established that government policies and regulations had a significant positive influence on the financial performance of microenterprises, suggesting that a favorable regulatory environment provides the necessary 'fertile ground' for micro-business growth. This finding aligned with several previous studies such as Tella & Ogundeinde (2024), Birungu, Mbidde, Mutunzi, & Kiwaala, (2024), Tersoo, Fefe, & Ushahemba (2024), Wube & Atwal (2023), and Babayayi, Zubairu, & Badara (2021) which affirmed the positive influence of government policies on financial performance. However, the low effect size observed in this study, which reflects the variance in financial performance

attributed to government policies and regulations, indicates the inadequacy of these policies within the ecosystem. Nevertheless, some scholars contend that entrepreneurial firms can succeed even in adverse conditions (Lumpkin & Dess, 2001; Li & Atuahene-Gima, 2001), suggesting that internal resources play vital role in the performance of businesses. Consequently, this present study builds upon and advances the existing literature by isolating and examining the contingent effect of strategic competence (as an internal resource) on the relationship between government policies & regulations, and financial performance.

The analysis of the moderating hypothesis revealed that the impact of government policies on financial performance was contingent upon the entrepreneurial competence (represented by strategic competence) of the owner-managers. This implies that while government policies provide external opportunities (incentives, support frameworks, and regulatory ease), an enterprise's ability to monetize these opportunities is contingent upon its internal level of strategic competence. The analysis of the direct relationship revealed that government policies and regulations alone accounted for only 8.9% of the variance in financial performance. However, upon introducing strategic competence into the model, the explanatory power significantly increased to 29.5%. This substantial increment in variance. demonstrates that strategic competence acts as a critical enhancer, amplifying the positive impact of government policies on the financial performance of agro-processing microenterprises. This further suggests that favorable policies alone are insufficient to guarantee economic success of micro-firms.

Furthermore, the conditional effects analysis revealed that the positive moderation effect is statistically significant exclusively at high levels of strategic competence. This suggests a threshold effect: owner-managers with high strategic competence can sustain superior financial performance even in less favorable policy environments. Conversely, those with low or average competence fail to exhibit this resilience, thereby underscoring the critical, contingent role of strategic competence in driving microenterprise outcomes. While this finding validates the assertion by Lumpkin and Dess (2001) and Li and Atuahene-Gima (2001) that entrepreneurial firms can succeed even in adverse and uncertain ecosystems, it also underscores the conditions under which such outcome is possible; it reveals empirically that, a threshold exists, below which strategic competence cannot influence the adverse impacts of unsupportive governmental frameworks within an ecosystem, to improve the financial performance of enterprises.

For strategic competence to enhance the positive effect of government policies and regulations on financial performance of micro-firms, it will be at a higher level. This finding is in line with Basheer and Rafiq (2025) who demonstrated that entrepreneurial ecosystem factors only yield significant firm performance improvements when paired with high levels of strategic competence. High levels of Strategic competence empower owner/managers of micro-firms to effectively sense the opportunities presented by the ecosystem, identify new funding windows, regulatory shifts, or technological trends, and subsequently seize these opportunities through efficient resource deployment and strategic execution (George, Karna, & Sud, 2022). Furthermore, Fric, O'Gorman, and Rončević (2023) showed that high strategic competence moderates constraints imposed by the environment on micro-firms by enabling the firms to interpret policy, navigate regulatory frameworks, and strategically position themselves to benefit from economic incentives or mitigate burdensome compliance costs.

In contemporary strategic management literature, strategic competence is conceptually integrated with or seen as a specific dimension of dynamic capabilities (Arif & Herawan, 2025). Dynamic capabilities are defined as the firm's overarching capacity to sense, seize, and reconfigure its internal and external competences to address rapidly changing market or environmental dynamics (George, et al. 2022). Strategic competence is precisely the capability that maximizes the value derived from ecosystem. It functions as the crucial regulator, conditioning how external resources, pressures, or opportunities afforded by the ecosystem translate into competitive advantage and enhanced firm performance. Extending the RBV to the ecosystem context, this study argues that the value of an external resource or input (such as government policies and regulations) is determined not just by its scarcity or availability but also by its complementarity with the firm's internal capabilities.

Essentially, strategic competence plays a crucial role in the business performance of microenterprises, particularly in developing economies which are mostly characterized by inadequate government policies. Strategic competence can enable microenterprises to navigate unpredictable market environments. Entrepreneurs with strong strategic capabilities can quickly adjust their business models and operations in response to changing government policies, consumer demands and market trends. Also, entrepreneurs with high level of strategic competence can easily identify, assess, and mitigate risks associated with regulatory uncertainties and market

fluctuations. This proactive approach can enhance the resilience and sustainability of their operations. Ultimately, high level of strategic competence contributes to the long-term viability of agro-processing microenterprises. By effectively navigating the challenges posed by inadequate government policies, these businesses can achieve sustained growth and contribute significantly to local economies.

7. Conclusion and Recommendation

7.1. Conclusion

The focus on internal capabilities such as strategic competence by this study moves the analytical emphasis from merely examining the conduciveness of the entrepreneurial ecosystem to understanding micro-firm's capacity and efficiency in leveraging the available ecosystem recourses. The findings of this study underscore a contingent approach which highlights the interaction between the entrepreneur and the environmental factors in determining enterprise outcomes. This perspective carries significant implications for policy design. If entrepreneurial ecosystem factors like government policies often fail to meet expectations as is the case in most developing economies including Nigeria, it is because the recipient firms may lack the necessary internal capability to effectively absorb, adapt, and execute business strategies to effectively navigate or capitalize on the available ecosystem resources. Strategic competence acts as the ultimate contingency factor. Without a high level of strategic competence, the entrepreneurial firm is incapable of realizing the full benefits of ecosystem investments.

7.2. Recommendations

The findings of this study reveal among other things, the inadequacy of government policies and regulations to effectively support and enhance the financial performance of microenterprise in the region, and the pivotal role of strategic competence in catalyzing the effect of government polices on the financial performance of microenterprises. Following are some recommendations aimed at addressing these key findings.

i. Policymakers need to review and tailor existing policies and regulations to the specific exigencies of the micro-enterprise sector. Key interventions should include tax alleviation and the reduction of regulatory burdens via streamlined, technology-driven compliance mechanisms. This would liberate critical resources, allowing firms to redirect focus toward

innovation and growth. Also, policy interventions must be highly targeted, contextualized, and reoriented to fund and facilitate targeted capacity-building programs that address critical skill gaps. This is critical because, without upgrading the entrepreneurial capabilities of the micro-firms, favorable policies will remain underutilized resources, leading to policy failure despite good intentions.

ii. Accordingly, microenterprises owner/managers need to invest in entrepreneurial capability-building and support programs centered on skills training in high-impact areas such as strategic competence proven to positively enhance performance. This will enable them gain proficiency in opportunity recognition, market scanning, regulatory navigation, competitive positioning, agile strategy formulation, and risk management. Mentorship support through incubation and public sector-led accelerators can also enhance the strategic competence of the microenterprise owner-managers. This will facilitate access to advisory services, networking opportunities, and other valuable resources necessary to navigate through, as well as leverage the resources available in the ecosystem to improve their financial performance

7.3. Contribution to Knowledge

This study advances the extant literature by isolating and examining the moderating role of strategic competence conceptualized here as a critical internal resource on the causal link between government regulatory frameworks and financial performance of microenterprises. The primary contribution of this study lies in explaining the interaction effect, specifically, how entrepreneurial competencies intersect with the external ecosystem to shape micro-enterprise viability. This study fills a vital gap in the literature by statistically confirming that strategic competence significantly alters the strength and direction of the relationship between regulatory frameworks and micro-firms' outcomes. Furthermore, the study introduces the concept of a "Competence Threshold" – empirically demonstrating that owner-managers possessing high levels of strategic competence can sustain superior financial performance even within unfavorable policy environments, while those falling below this competence threshold lack the resilience to navigate regulatory constraints.

By providing empirical evidence that high strategic competence can neutralize the negative impact of unsupportive policies, this research challenges the deterministic view that poor government policy automatically leads to poor business performance. Contrary to the prevailing assumption

that government policy is the primary determinant of business success in developing economies, this study empirically proves that internal resources such as strategic competence exerts a dominant, moderating influence. Accordingly, the study proposes a new framework for enterprise development that prioritizes the transfer of strategic knowledge and competence over the transfer of financial capital.

Conflict of Interest

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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