



Entrepreneurial Leadership and Innovative Behaviour of Small Businesses in Rivers State: The Role of Organisational Climate

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ABSTRACT

This study examined the relationship between entrepreneurial leadership and innovative behaviour of small businesses in Rivers State, Nigeria, and assessed the moderating role of organisational climate. Drawing on a census of 298 representatives (owners, managers, and supervisors) from 85 registered packaged water companies, the study employed a cross-sectional design and collected data through a structured questionnaire. The instrument validity was determined through expert review and reliability was determined through, Cronbach, Alpha coefficient. The analysis of data was done using the Kendall rank correlation and moderated regression analysis. Results showed that entrepreneurship leadership contributes significantly to the innovativeness behaviour of employees especially in generation, championing and implementation of ideas. Results further demonstrated that organisational climate positively moderates this relationship, amplifying the impact of entrepreneurial leadership on innovation when the environment is supportive, collaborative, and psychologically safe. The study contributes to entrepreneurship and innovation scholarship by highlighting the contextual importance of leadership practices within small businesses in emerging economies. It concludes that entrepreneurial leadership is a key driver of innovation, but its effectiveness depends on the quality of the organisational climate. Practical recommendations include the adoption of leadership practices that empower employees and structured policies that cultivate openness and collaboration, thereby strengthening competitiveness and business sustainability.

Keywords: Entrepreneurial leadership, Innovative behaviour, Organisational climate, Small businesses

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I. Introduction

Small businesses constitute a critical pillar of the Nigerian economy, accounting for over 48% of the national GDP, nearly 96% of all enterprises, and providing about 84% of employment opportunities while also contributing significantly to foreign exchange earnings (Ochigbo, 2025). These businesses are particularly significant in Rivers State in terms of labour absorption, stimulation of local production and the entrepreneurial action in both formal and informal markets. Nevertheless, despite their efforts, small businesses want to continuously struggle against challenges that do not allow them to grow and compete in the long term. The most prominent of these difficulties is the low ability to maintain innovative behaviour over the long term through which new products, process improvement and flexibility in the volatile economic environment of infrastructural deficits, intense competition, and uncertain conditions in the market (Elsayed et al., 2023; Nilasari et al., 2023).

The small businesses have turned out to be inseparable with innovative behaviour as a prerequisite to survival and success. It is a system of managing the shifting consumer demands, technological adjustment, and competitive edge of the resources-related environments that are strained (Phromket et al., 2024; Wijaya, 2023). Creative behaviours are critical towards addressing regulatory forces, product differentiation in a saturated market and enhancing production efficiency. And the absence of a culture that fosters innovation, the small businesses will be in danger of stagnation, decreased competitiveness, and eventual business closure. This explains why it is important to establish leadership and organisational variables that can facilitate the participation of employees in proactive and innovative work behaviours.

Innovative behaviour of small businesses has been discovered to have a very significant force of entrepreneurial leadership. Entrepreneurial leaders can foster creativity, empower staff, and provide them with a sense of direction to achieve ideas into real innovations through opportunities, taking risks, and visionary leadership (Aristana et al., 2024; Bagheri and Harrison, 2020; Strobl et al., 2022). Research shows that such leaders foster environments where employees feel motivated to engage in creative problem-solving and are supported in implementing their ideas, making entrepreneurial leadership particularly effective in small and medium-sized enterprises (Lin & Yi, 2023; Raby et al., 2023). However, the degree in which entrepreneurial leadership increases innovative behaviour will also rely on the organisational climate that the employees work under.

The organisational climate, which refers to the common employee perceptions of workplace values, norms, and practices has been found to either promote or limit innovative behaviour (Byantara et al., 2023; Rožman and Štrukelj, 2021). The presence of a favorable climate will result in the formation of trust, collaboration and a feeling of psychological security and will enable the employees to risk without fear of retribution. On the other hand, a strict or non-supporting kind of climate restrains creativity and negates the advantages of entrepreneurial leadership. Although it is vital, organisational climate has not been given much consideration as a moderator in the research of the entrepreneurial leadership-innovative behaviour nexus especially when it comes to the small businesses in the emerging economies such as Nigeria. Much of the past research has studied large corporations (Sebora & Theerapatvong, 2010), particular industries, like the banking sector (Aziz and Jahan, 2021), or specific conditions of a crisis, including COVID-19 (Memarista et al., 2022), without studying how entrepreneurial leadership is applied to generate innovative results in the small business environment where organisational climate may become a defining factor.

This paper is based on the Componential Theory of Creativity, proposed by Amabile (1983, 2017) and anchored in the concept of the prominent role of entrepreneurial leadership in increasing or decreasing the impact of domain-relevant skills, creativity-relevant processes and intrinsic motivation on organisational performance by introducing organisational climate as the external environmental condition that enhances or diminishes its effects (Amabile et al., 1996; Cai et al., 2019). However, regardless of academic progress, innovative behaviour in small businesses in Nigeria is still low, as numerous companies can hardly keep up with the competition because of poor leadership behaviour and unfavourable environments. This is an indicator of a vexed issue in terms of the ability to sustain an upsurge on innovation in spite of all the academic focus it gets. Therefore, this study investigated the role of entrepreneurial leadership in driving innovative behaviour of small businesses in Rivers State, and further examined how organisational climate moderates this relationship.

II. Literature Review

2.1 Conceptual Review

2.1.1 Entrepreneurial Leadership

Entrepreneurial leadership is a dynamic and complex construct, which amalgamates leadership and entrepreneurial activities, which places their focus on defining and exploiting opportunities to promote innovation and development in organizations. It is the process of directing an organization to navigate the challenging and competitive environment, based on encouraging creativity, empowering employees, and managing the available resources in a strategic manner to accomplish organizational goals (Aristana et al., 2024; Hoang et al., 2022; Malibari and Bajaba, 2022; Strobl et al., 2022). As modern studies point out, entrepreneurial leaders not only develop innovative ideas but also create an environment that encourages the employees to be creative in solving their problems and enacting new solutions (Bagheri and Harrison, 2020; Pu et al., 2022). This leadership type is especially relevant in small and medium-sized enterprises (SMEs) when leaders can use their functional competencies to improve innovative behavior in employees that can fuel organizational flexibility and competitive edge in uncertain markets (Lin and Yi, 2023; Raby et al., 2023).

2.1.2 Innovative Behaviour

Innovative behaviour can be referred to as the practices of members of an organization that are directed to the creation, selling and putting new ideas, processes or products in place with a view of improving organizational performance and competitiveness. This conduct involves the process of generating, championing,

and implementing ideas, which are encouraged by a creative approach, risk-taking, and the pursuit of effectiveness in fast-changing business conditions (Elsayed et al., 2023; Farrukh et al., 2023; Phromket et al., 2024). Recent research underlines that innovative work behaviour is of paramount importance to the organizations, especially SMEs, in order to cope with the forces of the market, especially, to receive a competitive advantage as the creative input of the employees can result in new services, products or improvements of the processes (Nilasari et al., 2023; Salsabila and Mansyur, 2024; Wijaya, 2023). Entrepreneurial and transformational leadership styles are among leadership styles that have a significant impact on this behaviour by creating an environment that promotes creativity and aids the implementation of innovative ideas in practice (Byantara et al., 2023; Jagdale, 2024). In the context of small businesses, innovative behaviour is essential for driving organizational success and responding to external challenges through proactive and creative employee actions.

2.1.3 Organisational Climate

Organisational climate represents the collective perceptions of employees regarding the workplace environment, shaped by organizational values, norms, practices, and leadership interactions, which significantly influence employee behavior and performance. The organisational climate is positive, which leads to motivation, innovation, and job satisfaction, thus providing the environment conducive to innovative work behaviour (Byantara et al., 2023; Nilasari et al., 2023; Salsabila and Mansyur, 2024). The latest studies have highlighted that such aspects as social support, role clarity, and leadership engagement should be considered essential elements of the organisational climate that directly influences the psychological and physical health of employees and their willingness to get involved in innovative activities (Fikri et al., 2021; Rožman and Štrukelj, 2021). The relationship between entrepreneurial leadership and innovative behaviour in the context of SMEs can be mediated by a supportive climate allowing individuals to collaborate, trust, and be innovative to improve organizational performance (Aziz and Jahan, 2021).

2.2 Theoretical Framework

2.2.1 Componential Theory of Creativity

Another theory that underpins the argument on the determinants of individual and organizational creativity is the Componential Theory of Creativity pioneered by Teresa M. Amabile during the 1980s. The theory assumes that the interaction of three main elements of domain-related skills (expertise and technical knowledge), creativity-related processes (cognitive styles and problem-solving capabilities), and intrinsic task motivation (the desire to perform a task because it is right) result in creativity (Amabile, 1983, 2017). As well, Amabile subsequently highlighted that the work environment, as encompassing organizational climate, is an important external condition that affects creativity by availing resources, support, and freedom to innovate (Amabile et al., 1996). According to the theory, one is most likely to be creative when he/she has a high domain expertise, employs flexible thinking, is intrinsically motivated and works in an enabling environment. Opponents, however, claim that intrinsic motivation which is primarily emphasized in the theory can underestimate the influence of extrinsic motivators, like rewards, in some situations (Eisenberger and Cameron, 1996). In addition, certain researchers observe that the fact that the theory is widely used in different environments could make them predictive with specificity to specific industries or even culture (Shalley et al., 2004).

The theory upholds the idea that entrepreneurial leadership promotes the development of innovative behaviour by increasing the intrinsic motivation of employees and using their skills, which are relevant to the domain, and are essential in generating and executing innovative ideas in a small business (Amabile, 2017; Cai et al., 2019). The moderating factor is the organizational climate, which is consistent with the focus of the theory on the work environment as a supportive climate can increase the effects of entrepreneurial leadership on the innovative behaviours of employees (Elsayed et al., 2023). The theory is applicable in the dynamic and resource-bound context of small businesses to understand how leaders can create an environment that fosters creativity so that their staff can apply their skills and motivation to create new and competitive results.

2.3 Empirical Review

Table 2.1: Webometrics of Empirical Review and Gaps in Literature

S/N	Author(s)/Year	Country	Topic/Objectives	Methodology	Findings	Conclusion	Gaps	Comparison with Current Study
1	Sebora & Theerapatvong (2010)	Thailand	Examined the impact of external and internal factors on managers' idea creation, risk-taking, and proactiveness in corporate entrepreneurship.	Quantitative ; survey of 105 manufacturing companies; random sampling.	Idea generation influenced by product nature, firm size, and organizational support. Risk-taking linked to firm size and entrepreneurship support. Proactiveness linked to rivalry, firm size, and entrepreneurial atmosphere.	Corporate entrepreneurship depends heavily on contextual and firm-specific factors.	Focused on senior managers in large manufacturing firms, not small businesses; organizational climate only indirectly considered.	Current study focuses on small businesses in Rivers State, explicitly testing entrepreneurial leadership–innovative behavior link with organizational climate as moderator using Kendall rank correlation.
2	Aziz & Jahan (2021)	Pakistan	Investigated moderating role of organizational climate in leadership–innovative behavior relationship in banking sector.	Qualitative; interviews and observations nationwide.	There was no significant action of organizational climate in mediating leadership–innovation relationship, which could be as a result of cultural and contextual inefficiencies.	The existence of poor climates in organizations impedes the leadership process of promoting innovations.	Based on qualitative evidence; context-dependent results on banking industry with low external validity..	The present research involves quantitative method of study, another sector (small businesses) and Componential Theory of Creativity to determine the moderating effect of organizational climate.
3	Memarista et al. (2022)	Indonesia	Investigated the hypothesis of the innovation within MSMEs during COVID-19 due to risk-taking behavior.	Quantitative ; 307 family business owners; binary logistic regression.	Risk-taking, family involvement, generational level, founder duality, and firm capital significantly influenced innovation.	Risk-taking is a critical driver of MSME innovation during crises.	Only within the context of pandemics, and only with family-owned MSMEs, and not innovation led by the leadership.	The contemporary research is not limited to the crisis situations, but it is also concerned with entrepreneurial leadership (not only risk-taking) and organization climate in the Nigerian small business.
4	Salsabila and Mansyur (2024)	Indonesia	The role of organizational climate and employee creativity in innovative work behavior in SMEs was examined.	Quantitative ; 100 employees of ISP company; SEM with Smart PLS.	Supportive climate significantly enhanced creativity and innovative work behavior.	Organizational climate amplifies leadership effects on innovation.	Limited to a single SME in ISP sector; small sample.	Current study strengthens external validity by focusing on broader SME population in Rivers State, using

								Kendall rank correlation under positivist paradigm.
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III. Methodology

The study employed a cross-sectional research design to examine the interplay between entrepreneurial leadership, innovative behaviour, and the moderating influence of organisational climate among small businesses in Rivers State, specifically targeting registered packaged water companies. A census methodology was utilized, involving all 298 representatives (owners, managers, and supervisors) from 85 accessible packaged water companies, justified by the manageable population size, which eliminated the need for sampling (Kothari & Garg, 2014; Saunders et al., 2019). The structured and closed-ended questionnaire comprising of 15 items was created to collect primary data which focused on demographic characteristics, entrepreneurial leadership, innovative behaviour and the organisational climate which were rated on a 5-point Likert scale as based on existent scales (De Jong and den Hartog, 2010; Kasim and Zakaria, 2019; Mafabi et al., 2012). To guarantee the high response rate, the drop-and-pick technique was supported by follow-up calls and physical visits, which is the best practice in quantitative management research to allow getting reliable and context-dependent data (Hair et al., 2020).

To make the results strong, the research critically evaluated and evaluated the validity and reliability of the research instrument. The face and content were designed based on the comments of the experts and rational organization of the questionnaire content to the objectives of the study in order to be clear and relevant (Mugenda and Mugenda, 2010; Parsian, 2009). The reliability of the instrument was verified through a pilot test involving 40 respondents, as they were not part of the main study sample because data would be contaminated; therefore, Cronbach Alpha coefficients of the instrument were found to be 0.782-0.865 across all variables, which is a strong indication of internal consistency (George and Mallery, 2019; Tavakol and Dennick, 2011). Data analysis involved the Kendall rank correlation coefficient to examine bivariate relationships between entrepreneurial leadership and innovative behaviour, and moderated regression analysis via process macros (Hayes, 2017), was used to assess the moderating effect of organisational climate, with assumptions of linearity, normality, and absence of outliers tested to ensure statistical robustness (Field, 2018; Tabachnick & Fidell, 2019).

IV. Results and Discussion

4.1 Results and Analyses

Table 4.1: Demographic Analyses

Company Distribution Position				
	Frequency	Percent	Valid Percent	Cumulative Percent
Owner	67	22.5	22.5	22.5
Manager	87	29.2	29.2	51.7
Supervisor	144	48.3	48.3	100.0
Total	298	100.0	100.0	
The Distribution of Work Experience				
Less than 2 years	53	17.8	17.8	17.8
2 - 5 years	81	27.2	27.2	45.0
6 - 10 years	69	23.2	23.2	68.1
Above 10 years	95	31.9	31.9	100.0
Total	298	100.0	100.0	
Period of operation Distribution				
Less than 5 years	71	23.8	23.8	23.8
5 - 10 years	54	18.1	18.1	41.9
11 - 15 years	125	41.9	41.9	83.9
Above 15 years	48	16.1	16.1	100.0
Total	298	100.0	100.0	

The demographic characteristics of the respondents in the packaged water companies in Rivers State will be good in giving the insight into the composition of the workforce. The position distribution shows that there were the representatives of the largest group supervisors (48.3% n=144), managers (29.2% n=87), and owners (22.5% n=67), implying the hierarchical structure with a high number of supervisors, which can affect the implementation of innovative ideas with an entrepreneurial leader. The distribution of work experience is balanced evenly with 31.9% (n = 95) more than 10 years, 27.2% (n = 81) 25 to 10 years, 23.2% (n = 69) 65 to 10 years and 17.8% (n = 53) less than 2 years. This diversity in experience levels indicates a workforce capable of blending seasoned expertise with fresh perspectives, potentially enhancing innovative behaviour. Regarding the length of time in operation, 41.9% (n = 125) of companies operated for 11–15 years, 23.8% (n = 71) for less than 5 years, 18.1% (n = 54) for 5–10 years, and 16.1% (n = 48) for over 15 years, reflecting a mature industry with a mix of established

and emerging businesses, which may impact the adoption of innovative practices and the influence of organisational climate.

The demographic characteristics suggest a workforce and industry context conducive to studying entrepreneurial leadership and innovative behaviour. The significant presence of supervisors and managers indicates a leadership-heavy sample, well-positioned to reflect on entrepreneurial leadership practices. The varied work experience levels imply a workforce capable of contributing diverse ideas, while the distribution of company operational tenure suggests a stable yet dynamic industry, potentially responsive to innovative initiatives fostered by a supportive organisational climate. These demographic observations form the basis of explaining the impact of entrepreneurial leadership on innovative behaviour in the backdrop of the packaged water industry in Rivers state.

4.1.1 Univariate Analyses

Table 4.2: Descriptive Statistics of Entrepreneurial Leadership.

Statement	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Std. Error	Kurtosis	Std. Error
Leaders encourage employees to take initiative in suggesting new ideas for production and distribution	298	1	5	2.78	1.090	.128	.141	-.702	.281
Leaders are willing to take calculated risks to explore new market opportunities	298	1	5	2.88	1.132	.079	.141	-.880	.281
Managers inspire employees with a clear vision of business growth in the water industry	298	1	5	3.11	1.108	-.348	.141	-.771	.281
Leaders actively support employees who try new methods or problem-solving	298	1	5	3.12	1.095	-.233	.141	-.738	.281
Decision-making reflects a forward-looking, opportunity-driven mindset	298	1	5	3.54	.925	-.952	.141	.807	.281
Descriptive Statistics on Innovative Behaviour									
I come up with new ideas for improving quality and packaging	298	1	5	3.10	1.019	-.235	.141	-.318	.281
I take initiative to implement better ways of performing tasks	298	1	5	2.86	1.098	.006	.141	-.623	.281
I contribute suggestions for new customer satisfaction strategies	298	1	5	2.84	1.105	.013	.141	-.786	.281
I look for opportunities to improve production or distribution	298	1	5	2.95	1.120	-.205	.141	-.821	.281
I take proactive steps to solve problems before they affect delivery	298	1	5	2.85	1.106	.070	.141	-.685	.281

The descriptive statistics for entrepreneurial leadership reveal moderate to high perceptions among respondents. The declaration that Decision-making by leaders is often based on a forward-thinking and opportunity driven mindset had the highest mean ($M = 3.54$, $SD = 0.925$), which meant a high degree of agreement that the leaders are proactive and visionary and the negative skewness (-0.952) implied that there was a tendency toward a stronger agreement. Other positive statements such as Managers inspire employees with a clear vision ($M = 3.11$, $SD = 1.108$) and Leaders actively support employees who attempt new methods ($M = 3.12$, $SD = 1.095$) also have positive perceptions, although with a relatively lower means and medium variability. Though, the lower values of Leaders encourage employees to suggest new ideas ($M = 2.78$, $SD = 1.090$) and Leaders are willing to take calculated risks ($M = 2.88$, $SD = 1.132$) are likely to imply less stable involvement in these issues, with skew values nearer to zero. Most of the items have negative values of kurtosis which imply that most of the distributions of the responses are flatter, implying the different perceptions that the respondents share.

In the case of innovative behaviour, the descriptive statistics indicate moderate involvement. The highest mean ($M = 3.10$, $SD = 1.019$) was obtained in the statement which mentions that I often come up with new ideas to improve quality and packaging, which is moderately agreed upon (moderate agreement), but with a slight negative skewness (-0.235), it is inclined towards agreement. Other statements, such as “I contribute suggestions for new customer satisfaction strategies” ($M = 2.84$, $SD = 1.105$) and “I take initiative to implement better ways” ($M = 2.86$, $SD = 1.098$), had lower means, reflecting less consistent innovative behaviour. Standard deviations around 1.0–1.1 indicate moderate variability, and skewness values close to zero suggest near-normal distributions

for most items. The values of negative kurtosis are flatter values, implying that the employees have varied perceptions of innovative behaviour.

Table 4.3: Descriptive Statistics on Organisational Climate

Statement	N	Min	Max	Mean	Std. Deviation	Skewness	Std. Error	Kurtosis	Std. Error
Working environment encourages open communication and idea sharing	298	1	5	3.44	1.043	-.680	.141	.036	.281
Employees feel safe to express new ideas without fear of criticism	298	1	5	3.28	1.017	-.592	.141	-.276	.281
Clear policies and practices support innovation and creativity	298	1	5	3.18	.994	-.343	.141	-.268	.281
Company provides resources for innovative activities	298	1	5	3.33	1.054	-.550	.141	-.193	.281
Collaboration and teamwork are strongly encouraged	298	1	5	3.23	1.103	-.446	.141	-.380	.281

The organisational climate was perceived positively, with the statement “The working environment encourages open communication and idea sharing” having the highest mean ($M = 3.44$, $SD = 1.043$), indicating strong agreement, supported by negative skewness (-0.680). Other statements were also moderately to highly agreed ($M = 3.28$, $SD = 1.017$) and ($M = 3.33$, $SD = 1.054$), including the negativity of skew which is an indication of the tendency to positive messages as well as, Employees feel safe to express new ideas, and Company provides resources to innovative activities. The statement on clear policies supporting innovation had the lowest mean ($M = 3.18$, $SD = 0.994$), suggesting slightly weaker agreement. Standard deviations around 1.0 reflect moderate variability, and negative kurtosis values suggest flatter distributions, indicating varied employee perceptions of the organisational climate.

Generally, the univariate analyses indicate that the employees hold positive perceptions of entrepreneurial leadership and organisational climate where there is more agreement about visionary and supportive aspects of leadership and favourable climate of communication and innovation. The innovative behaviour however is more moderately involved as employees are not always contributing or implementing new ideas, this could be because more variation can exist in leadership encouragement or availability of resources.

4.1.2 Bivariate Analysis

Table 4.4: Test of Relationships between Entrepreneurial Leadership and Innovative Behaviour

		Entrepreneurial Leadership	Innovative Behaviour
Kendall's tau_b	Entrepreneurial Leadership	Correlation Coefficient	1.000
		Sig. (2-tailed)	.563**
		N	.000
	Innovative Behaviour	Correlation Coefficient	.563**
		Sig. (2-tailed)	1.000
		N	.000

****.** Correlation is significant at the 0.01 level (2-tailed).

The tau-b correlation analysis of the Kendall demonstrated the significant positive correlation between entrepreneurial leadership and innovative behaviour ($.563$, $p = .01$) which empirically supports the rejection of the null hypothesis, despite that there is no significant relationship between these two variables. This medium to high correlation indicates that entrepreneurial leadership plays a big role in improving the propensities of the employees to create, promote and practice new ideas.

4.1.3 Multivariate Data Analysis

Table 4.5: Resummarisation of Moderated Regression Analysis to predict innovative Behaviour.

	coeff	se	t	p	LLCI	ULCI
constant	14.3581	.1830	78.4450	.0000	13.9979	14.7183
Entrepreneurial Leadership (X)	.3236	.0552	5.8579	.0000	.2149	.4323
Organisational Climate (W)	.5940	.0575	10.3294	.0000	.4808	.7072
Interaction (X × W)	.0156	.0062	2.4926	.0132	.0033	.0278

Table 4.6: Conditional Effects of Entrepreneurial Leadership at Values of Organisational Climate.

Organisational Climate	Effect	se	t	p	LLCI	ULCI
-4.5051 (Mean - SD)	.2535	.0657	3.8573	.0001	.1241	.3828
.0000 (Mean)	.3236	.0552	5.8579	.0000	.2149	.4323
4.5051 (Mean + SD)	.3936	.0580	6.7861	.0000	.2795	.5078

The regressive relation between the elements of entrepreneurial leadership and innovative behaviour was analysed using the moderated regression analysis performed in SPSS using the PROCESS macro (Hayes, 2022), where the moderating role of organisational climate was investigated. The model was significant ($R = .8135$, $R^2 = .6617$, $F(3, 294) = 191.6965$, $p < .001$), explaining 66.17% of the variance in innovative behaviour. The interaction term (Entrepreneurial Leadership \times Organisational Climate) was statistically significant ($b = .0156$, $t = 2.4926$, $p = .0132$, 95% CI [.0033, .0278]), indicating that organisational climate significantly moderates the relationship, leading to the rejection of the null hypothesis. The conditional effects show that the effect of entrepreneurial leadership on innovative behaviour strengthens as organisational climate improves: at low levels (-1 SD, -4.5051), the effect is .2535 ($t = 3.8573$, $p < .001$); at the mean, it is .3236 ($t = 5.8579$, $p < .001$); and at high levels (+1 SD, 4.5051), it is .3936 ($t = 6.7861$, $p < .001$).

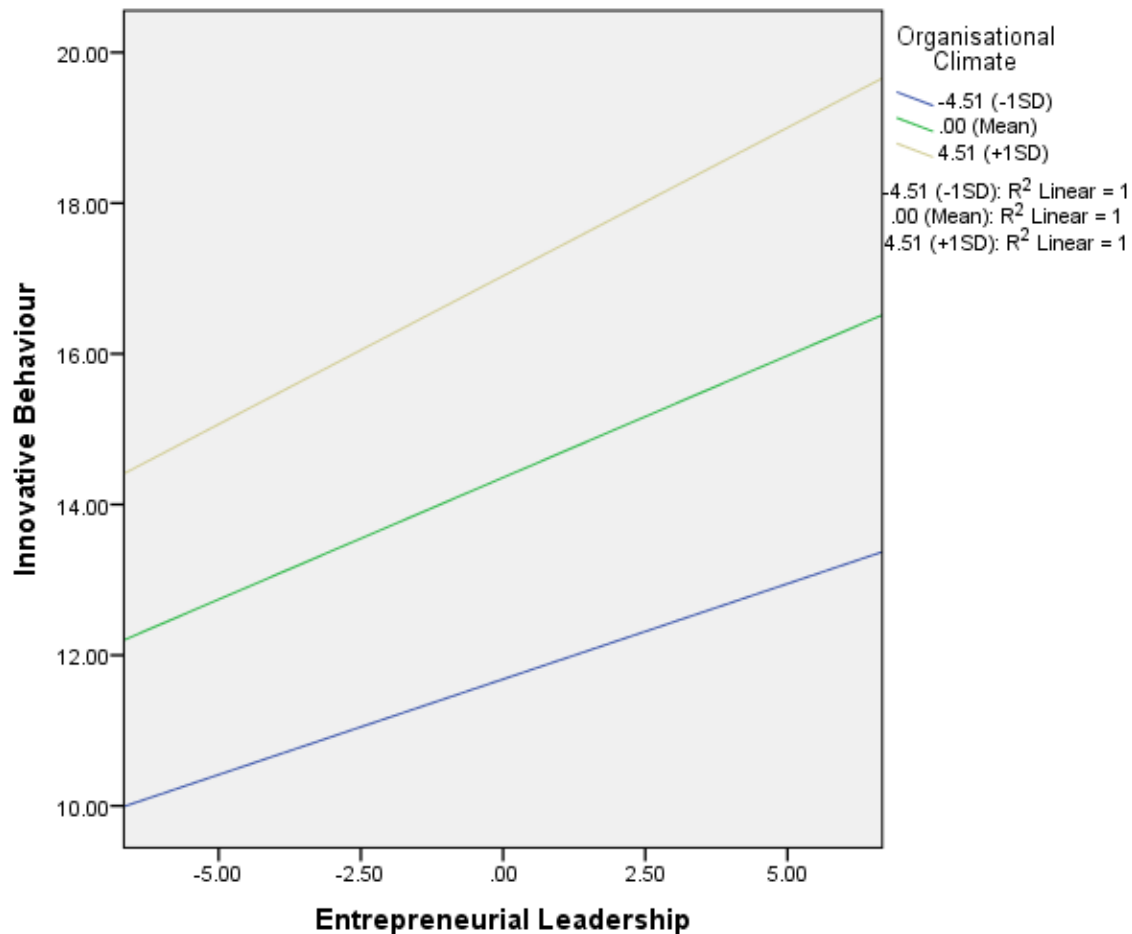


Figure 4.1: Moderated Regression Graph

The x-axis represents entrepreneurial leadership, the y-axis represents innovative behaviour, and the three lines represent organisational climate at -4.5051 (Mean - SD), 0.0000 (Mean), and 4.5051 (Mean + SD). The moderated regression graph is a graphical display of the moderating role of organisational climate. The three lines depict the relationship between entrepreneurial leadership and innovative behaviour at different levels of organisational climate. The steepest slope of high organisational climate (+1 SD) shows that a favourable climate enhances the positive influence of entrepreneurial leadership on innovative behaviour and the slope at a low organisational climate (-1 SD) indicates a less intensive impact. This graphic presentation supports the statistical results, pointing to the acute importance of the positive organisational climate to improve the effects of the leadership on the innovation.

4.2 Discussion of Findings

Entrepreneurial Leadership and Innovative Behaviour

The finding of a significant moderate-to-strong positive relationship between entrepreneurial leadership and innovative behaviour ($\tau = .563$, $p < .01$) reinforces the literature that entrepreneurial leadership serves as a catalyst for innovation in small businesses. Entrepreneurial leadership integrates leadership with entrepreneurial

practices by inspiring creativity, empowering employees, and strategically managing resources to foster innovation and adaptability (Aristana et al., 2024; Hoang et al., 2022; Strobl et al., 2022). The functional competencies of its leaders make this type of leadership especially effective in the work of SMEs as they can stimulate innovative behaviour of their employees and make them able to create, promote, and adopt new ideas based on the market changes (Lin and Yi, 2023, Raby et al., 2023). In line with the thesis of Bagheri and Harrison (2020) and Pu et al. (2022), entrepreneurial leaders do not just produce ideas on their own, but they also foster an environment in which employees are encouraged to be creative in resolving issues. The conclusion can be also echoed by Memarista et al. (2022), who also verified that risk-taking behaviour determines innovation in MSMEs, indicating that risk-taking skills like vision and calculated risk-taking are key factors that drive innovative results. Indirectly, the research offers empirical data on the premise of packaged water enterprises in Rivers State where entrepreneurial leadership promotes the innovative inclinations of employees, thus spurring competitiveness and long run sustainability in small business industry.

The Moderating Effect of Organisational Climate with Relationship between Entrepreneurial Leadership and Innovative Behaviour.

According to the moderated regression outcome, it was found that the organisational climate plays a significant role in enhancing the positive influence of the entrepreneurial leadership on innovative behaviour, and the effects of leadership grow as the organisational climate becomes better. It coincides with the Componential Theory of Creativity (Amabile, 1983, 2017), which underlines the working conditions as one of the key elements to transform the domain knowledge and self-motivation of employees into an innovative performance. Organisational climate is an understanding of shared values, norms, and practices about workplace perceptions that affect the motivation and creativity of employees (Byantara et al., 2023; Nilasari et al., 2023; Rožman and Štrukelj, 2021). The amenable environment promotes the level of psychological safety, cooperation, and access to resources, serving as a booster that increases the influence of leadership in the field of innovation (Salsabila and Mansyur, 2024). Although in their study Aziz and Jahan (2021) identified that leadership-innovation linkages in the banking industry of Pakistan were not significantly moderated by the climate of the organisation because of the weaknesses in the context, the current study indicates that a strong organisational climate does moderate the relationship between leadership and innovation in the Nigerian context of the small business. The result also complements Sebor and Theerapatvong (2010), who highlighted the influence of organizational atmosphere on managerial proactiveness, by showing that climate does not just shape proactiveness but actively magnifies leadership's ability to drive innovative behaviour. Thus, this study underscores the importance of cultivating a positive organisational climate in SMEs, particularly packaged water businesses, to maximise the innovative potential inspired by entrepreneurial leadership.

V. Conclusion

This paper has discussed the connection between entrepreneurial leadership and innovative behaviour of small businesses within the state of Rivers in presence of organisational climate as a moderating factor. The findings demonstrated that the ability of employees to generate, champion, and implement new ideas as well as a favourable organisational climate significantly increases with entrepreneurial leadership and furthermore, the impact of leadership on innovative behaviour.

5.1 Recommendation

- i. Based on the first hypothesis, small business leaders should adopt entrepreneurial leadership practices that inspire creativity, empower employees, and encourage calculated risk-taking. Practically, management can achieve this by organising regular innovation workshops where employees are trained to identify and exploit market opportunities, setting up structured idea-generation sessions where employees contribute solutions to operational challenges, and recognising employees who champion new methods or products. Leaders should also demonstrate a forward-looking vision through clear communication about growth prospects and actively support the implementation of employee-driven ideas, thus embedding innovation into the culture of the business.
- ii. From the second hypothesis, management should prioritise building a positive organisational climate that fosters openness, collaboration, and psychological safety. In practice, it is possible to do it through policies that give employees the right to be punished in case of innovative idea failure, cross-departmental teams to work on new projects and share knowledge, and investment in creativity by allocating resources like training time, basic technology, or small innovation funds. Moreover, the management should have the frequent feedback sessions during which employees will be invited to openly share the difficulties and suggest ways of improvement, which helps to build trust and inclusion in the decision-making process. These measures will create an environment where entrepreneurial leadership translates more effectively into innovative behaviours that sustain competitiveness.

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