

TEAM WORK MANAGEMENT AND THE PERFORMANCE OF SMES IN NORTH CENTRAL NIGERIA

1. JIBRIN Ochole 2. EGBUNU, Audu Dangana; 3. JOHN Olatunji Alabi, 4. AGADA Ojoma Goodness^{1,2&4} .Department of Business Administration, Prince Abubakar University, Ayingba..ocholibibril1@gmail.com.+2348073739549 a.dangana@yahoo.com+2347032954985 +2348036689803. ekojaojoma05@gmail.com +2348101158251

ABSTRACT

This study investigates the effect of teamwork management on the performance of Small and Medium Enterprises (SMEs) in North Central Nigeria, with specific attention to the roles of communication, diversity, and creativity. The research is grounded in the Social Exchange Theory (SET), which emphasizes reciprocal relationships within teams that contribute to organizational effectiveness. The objective was to assess how these three dimensions of teamwork influence SME performance in areas such as revenue growth, innovation, employee retention, and customer satisfaction. A quantitative research design was employed, using structured questionnaires distributed to a sample of 379 respondents across SMEs in the region. Multiple regression analysis was used to analyze the data. The findings revealed that communication ($\beta = 0.371, p < 0.001$), diversity ($\beta = 0.343, p < 0.001$), and creativity ($\beta = 0.509, p < 0.001$) each had a positive and statistically significant impact on SME performance. The study confirms that well-managed teamwork enhances SME performance. It recommends that SME owners and managers prioritize structured communication channels, inclusive diversity policies, and creativity-enhancing practices such as brainstorming sessions and innovation workshops. These approaches can foster stronger team dynamics, improve productivity, and contribute to the long-term success of SMEs in North.

Keywords: Teamwork management, communication, diversity, creativity and performance of (SMEs)

INTRODUCTION

Team management has long been crucial to the success of Small and Medium Enterprises (SMEs), particularly under challenging and resource-constrained environments. Historically, SMEs have relied on cohesive teams to survive hardship, with communication serving as the backbone for coordinating tasks, disseminating intelligence, and fostering collaboration. Diverse teams introduce multiple perspectives and skill sets, which enhance innovation and problem-solving capabilities. Creativity, fueled by diverse inputs and open communication, drives innovation, which is critical for SMEs to remain competitive and responsive to market demands. Within the Nigerian context, communication dynamics, diversity, and creativity in teams have been confirmed to be important for entrepreneurial performance. Ojiaku et al.(2020) stress that collaborative entrepreneurship facilitated through effective communication and diversity management plays an influential role in the performance of SMEs in Nigeria. They argue that the leveraging of cognitive resources of a multicultural workforce through open communication channels stimulates creativity and enhances organizational performance. The implementation of effective teamwork management practices has led to substantial SME performance enhancement. Effective communication within teams enhances coordination and efficiency, leading to productivity growth. The implementation of heterogeneous team composition has been linked to higher levels of innovation and creativity, enabling SMEs to develop novel products and services. Furthermore, a teamwork environment fosters employees' engagement and

satisfaction, reduces employees' turnover intentions, and establishes a sound organizational culture. Nwankwo and Kanyangale (2022) found team communication to be the major predictor of SME survival in Nigeria. Their study found that team communication made the greatest contribution to manufacturing SME survival, followed by team recognition, spirit, and collaboration. Despite the noted benefits, there are several challenges in the implementation of effective teamwork management in SMEs.

Communication barriers, such as hierarchical organizations and lack of open communication, can deter the exchange of information and collaboration. Diversity, although beneficial, can lead to conflict if poorly managed, affecting team cohesion and performance. Additionally, limited resources and lack of formal training in teamwork management techniques can also deter the establishment of effective team dynamics. Ojiaku et al.,(2020) note that while diversity management has a substantial and positive effect on entrepreneurial performance, internal collaboration has no statistically significant effect. This would then mean that unless properly managed, the benefits of diversity and collaboration cannot be harnessed. While literature exists that provides insight into the management of teamwork in SMEs, limited studies have focused specifically on the North Central Nigerian context. This environment has unique cultural, economic, and social forces that influence team interaction and management processes. Understanding how teamwork management, diversity, and creativity in teams shape SME performance in North Central Nigeria is critical to developing context-specific strategies that address regional challenges and harness local opportunities. This study aims to bridge this gap by examining the dynamics of teamwork management in SMEs within the region, thereby generating empirical evidence to guide policy and practice.

The study is guided by the following research questions: What is the effect of effective communication on the performance of SMEs in North Central Nigeria? How does diversity management influence on the performance of SMEs in North Central Nigeria? What role does creativity play on the performance of SMEs in North Central Nigeria?

The broad objective of this study is to examine the effect of teamwork management on the performance of SMEs in North Central Nigeria. The specific objectives are: to examine the effect of effective communication on the performance of SMEs in North Central Nigeria.to investigate the influence of diversity management on the performance of SMEs in North Central Nigeria.to assess the role of creativity on the performance of SMEs in North Central Nigeria.

The following null hypotheses were formulated for the study; **H0i**: Effective communication within teams has no significant effect on the performance of SMEs in North Central Nigeria? **H0ii**: Diversity management does not significantly influence on the performance of SMEs in North Central Nigeria? **H0iii**: Creativity fostered through teamwork does not have a significant impact on the performance of SMEs in North Central Nigeria?

REVIEW OF RELATED LITERATURE

Concept of Teamwork Management.

Teamwork management is now regarded as a major performance and sustainability driver of Small and Medium Enterprises (SMEs). Akanbi and Ojo (2019) define teamwork management as the coordination process of individuals with varying talents and skills to collaborate toward common goals. Their work emphasizes teamwork as the encouragement of coordination, cohesion, and better organizational outcomes. Eze and Nnamani (2020) elaborate on this by envisioning teamwork management as a leadership function whereby motivating and guiding team members toward organizational objectives is critical to driving SME performance. Similarly, Okafor and Balogun (2023) argue that empowering employees and assigning tasks based on strengths optimizes effectiveness, responsibility, and overall business performance.

Effective communication is also highlighted as one of the main pillars in team management. Adebayo and Ojo (2019) highlight that team members' communication enables them to work together, reduces misunderstandings, and enables work to be accomplished effectively. Poor communication, however, leads to goal incongruence and reduced productivity. In agreement, Obi and Nwachukwu (2021) contend that open channels of communication enhance coordination, employee morale, and organizational effectiveness.

In addition to communication, diversity management within the team is also crucial. Strategic management of diversity within teams triggers creativity and better decision-making, which will lead to better SME performance, as argued by Bello and Hassan (2021). They, however, caution that unmanaged diversity will trigger conflict and destroy team cohesion. Ogunleye and Akintoye (2022) also affirm that diverse teams enhance SMEs' understanding of a broader range of customers and thus improve market responsiveness and competitiveness.

Creativity is also a key driver. Ogunleye and Akintoye (2022) confirm that teamwork management offers a fertile platform for creativity and adaptive decision-making. Eze and Onu (2020) describe creativity in teamwork as interweaving diverse ideas, leading to innovation. Okafor and Balogun (2023) warn, however, that ineffective teamwork management can stifle creativity, hindering innovation and SMEs' growth prospects. The coordination of communication, diversity, and creativity in team management is found to have extensive effects on SME performance. Adediran and Falola (2024) believe that SMEs with effective team management improve their working effectiveness, induce innovation, improve competitiveness, and achieve enhanced business sustainability.

Effective communication

Effective communication is among the pillars of teamwork management that is necessary for enhancing the performance and sustainability of Small and Medium Enterprises (SMEs). Goris et al. (2016) affirm that effective team communication entails the clear and accurate passing of information to ensure that messages are properly transmitted, received, and acted upon. Open communication, they argue, facilitates

organizational learning, continuous improvement, and long-term competitive advantage. De Dreu and West (2017) add to this definition by explaining that effective communication is not merely information sharing but also includes active listening and positive feedback. These components facilitate creative processes, enhance problem-solving abilities, and enable SMEs to generate innovative concepts necessary to adapt to market changes. Heathfield (2019) also points out that effective communication is a two-way process that requires team members to be active senders of their ideas as well as receivers of others'. This two-way exchange encourages informed decision-making, supports idea exchange, and enhances collaborative problem-solving, thereby strengthening team cohesion and SME performance.

Clarity and trust are also outcomes of effective communication. Robinson and Judge (2020) argue that open and honest communication helps to foster trust among team members, clarify roles, expectations, and objectives. In SMEs, particularly those in North Central Nigeria where interpersonal relationships have a significant influence on organizational outcomes, trust development through open communication is essential for conflict resolution and productivity enhancement. Morgeson et al. (2018) also argue that effective communication is key to enabling team coordination and alignment with organizational goals. Close and regular contact reduces misunderstandings, synchronizes actions, and guarantees operational efficiency—all of which are particularly vital to resource-constrained SMEs. The role played by communication in conflict resolution is also well documented. Jehn and Mannix (2019) characterize good communication as central to team conflict management, as it allows members to express concerns, understand other viewpoints, and reach mutually agreeable solutions. Within SMEs, where opposing opinions and limited resources often cause tensions, good communication ensures a smoother and more collaborative working relationship. Finally, Baker and Day (2022) identify the motivational role of effective communication, whereby employees who feel informed, heard, and involved demonstrate higher levels of commitment and engagement. This increased engagement is vital for SME performance, as motivated employees are more likely to contribute positively toward organizational goals.

Diversity

Team diversity has been identified as a significant source of innovation, flexibility, and overall performance, particularly for Small and Medium Enterprises (SMEs). Roberson (2014) defines diversity in team management as the presence of differences within a team that encompass not only demographic attributes—race, gender, ethnicity, and age—but also cognitive differences such as knowledge, perspectives, and competencies. This multi-faceted understanding of diversity is critical in enhancing creativity and well-informed decision-making, which is significant in improving SME performance. Bello and Hassan (2020) and Page (2017) further add that diversity generates innovation among SMEs. Diverse members with varied backgrounds, experiences, and mindsets are more competent in problem-solving complex issues and adapting to evolving market conditions. This is particularly crucial in resource-constrained environments where SMEs must innovate perpetually in order to exist and survive. The presence of diverse ideas empowers SMEs' capacity to create new products, services, and processes and thus position themselves favorably in unstable markets. Harrison and Klein (2019) broaden the definition of diversity to include cognitive and experiential diversity, arguing that thought process diversity and learning background diversity

increase a team's overall knowledge. Cognitive diversity, particularly in areas like North Central Nigeria where market volatility is the norm, provides SMEs with the type of flexibility they require to innovate quickly and respond to evolving customer needs effectively. SMEs, lacking the large-scale resources that accompany larger organizations, require the kind of agility that results from cognitive diversity.

While the benefits of diversity are numerous, Bell and Villado (2020) note that it also has potential downsides. They explain that variations in work values and cultures may create communication breakdowns and interpersonal clashes if not properly managed. In SMEs, where collective solidarity is critical to productive efficiency, poor management of diversity can be detrimental. However, good team working habits—such as fostering open communication and implementing diversity training—can turn these challenges into competitive assets. Kalu and Ibekwe (2021) advocate for strategic integration of employees from different cultures to improve SME competitiveness. They are convinced that culturally diverse teams are more capable of identifying and serving a greater number of customers, particularly in regions like North Central Nigeria. By representing the local population, SMEs can tailor products and services to diverse customer segments, thereby improving market coverage and performance. Nwosu and Adebayo (2023) particularly highlight the importance of gender and skills diversity. Gender-diverse teams bring new problem-solving approaches, while skills diversity enhances the team's capacity to solve a broader range of challenges. They argue that women in leadership and decision-making roles enhance creativity, increase decision quality, and promote workplace inclusiveness, which in turn boosts employee morale and productivity. Eze and Onu (2024) also affirm that appropriately managed diversity makes SMEs more resilient through enhanced decision-making and increased innovation. They emphasize that in culturally diverse regions like North Central Nigeria, properly applied diversity enables SMEs to be competitive enough to expand market reach, navigate local dynamics, and achieve superior performance outcomes.

Creativity

Team creativity is now more frequently recognized as a major factor in facilitating the competitiveness and success of Small and Medium Enterprises (SMEs), especially in trying and challenging environments like North Central Nigeria. Amabile (2018) describes team creativity as the generation of new and useful ideas by a team to aid in problem-solving and innovation. According to her, team creativity is not just about novelty but about developing practical and applicable solutions aligned with the team's objectives. Referencing this, Paulus and Nijstad (2019) define team creativity as a group process where cognitive and social resources are merged through brainstorming, collaboration, and communication. They argue that team creativity is greater than the sum of individual efforts, as group dynamics amplify the team's creative potential. For SMEs operating under infrastructural and economic constraints, leveraging creativity offers a competitive edge by enabling the development of innovative products, services, and strategies to meet customer demands. Zhou and George (2017) also conceptualize creativity within teams as the interactive outcome of member engagement. They suggest that individual ideas, when exchanged within a dynamic team environment, drive the creation of novel solutions. SMEs that promote open discussion and ideation—especially in volatile markets like those in North Central Nigeria—are more likely to respond effectively to rapid market changes and evolving customer needs.

Staw et al. (2018) highlight the role of cognitive diversity in enhancing team creativity. They describe it as the capacity to apply multiple thought processes, problem-solving techniques, and areas of expertise. This diversity enables SMEs to approach problems from varied perspectives, leading to efficient and innovative solutions that are particularly beneficial in addressing localized challenges. Eisenbeiss and Boerner (2021) emphasize the impact of leadership on stimulating creativity within teams. They argue that leaders who encourage risk-taking, avoid resource hoarding, and foster a psychologically safe environment significantly enhance team creativity. In SME settings like North Central Nigeria, where leadership can be a limiting or enabling factor, positive leadership behavior is essential for unlocking the creative potential of teams and fostering innovation. Similarly, West and Sacramento (2020) define team creativity as an outcome of collaborative effort. In this framework, openness, mutual respect, and the integration of diverse perspectives are crucial. A collaborative culture not only fosters the generation of new ideas but also facilitates their implementation, thereby enhancing innovation and overall SME performance. Finally, Gong et al. (2019) underscore the importance of a positive team climate characterized by trust, support, and psychological safety in promoting creativity. They define team creativity as the alignment of individual creative efforts toward shared objectives within a context that encourages experimentation and open communication. For SMEs, such an environment leads directly to increased innovation and improved competitive standing.

Performance of Small and Medium-Sized Enterprises (SMEs)

The performance of Small and Medium-sized Enterprises (SMEs) is a multidimensional concept expressed through key performance indicators such as revenue growth, profitability, and customer satisfaction. Miller and Breton-Miller (2015) describe these indicators as reflective of a firm's overall operating effectiveness, market competitiveness, and viability. They emphasize that revenue and market share growth are critical indicators of SME success, illustrating the ability to gain and retain customers over time. Burns and Dewhurst (2016) identify financial health and consistent profitability as a central component of SME performance, underscoring the importance of managing debt efficiently while sustaining returns. Homburg (2017) adds that customer satisfaction and loyalty are core aspects of performance, with highly rated customer service directly linked to better business outcomes. According to Miller and Breton-Miller (2015), SME performance also significantly contributes to broader economic development—particularly in developing regions like North Central Nigeria—by driving job creation, poverty reduction, and GDP growth.

Davidsson et al. (2016) argue that revenue growth is a major driver of SME performance, reflecting success in increasing sales and expanding market share. Long-term revenue growth enables investment in innovation and operational enhancements, making it a vital component of sustained competitiveness in dynamic environments such as North Central Nigeria. Wiklund et al. (2018) support this, while McKelvie and Wiklund (2020) caution that uncontrolled rapid growth may overextend resources and reduce overall performance. Bello and Hassan (2023) emphasize that SMEs in North Central Nigeria that focus on innovative product development and strong customer relationships are more likely to achieve steady revenue growth. Parker et al. (2017) place profitability at the heart of SME viability, as it ensures reinvestment capability, talent retention, and stronger market positioning. However, Markman and Gartner (2016) note that achieving profitability may be difficult for SMEs facing resource constraints and unstable markets. In contexts where access to external

financing is limited—such as North Central Nigeria—Eze and Onu (2021) highlight the importance of operational efficiency and cost-effective practices to sustain profitability. Customer satisfaction, defined as the extent to which a business meets or exceeds customer expectations, also plays a pivotal role in SME success. Parasuraman et al. (2015) note that it directly impacts growth by fostering loyalty, repeat patronage, and positive word-of-mouth. Anderson et al. (2017) further argue that customer satisfaction may be a stronger growth driver than conventional advertising. In North Central Nigeria, Adamu and Bello (2022) observe that SMEs that are responsive to customer feedback and customize products accordingly tend to enjoy higher retention and loyalty.

Theoretical Review

Social Exchange Theory (SET)

Social Exchange Theory (SET), developed by Homans and expanded by Blau (1964) and Emerson (1976), explains social interactions as a rational process where individuals weigh the costs and benefits of their relationships. In the context of teamwork management within SMEs in North Central Nigeria, SET highlights that team members are more committed and collaborative when their efforts are reciprocated with recognition, trust, and support (Cropanzano & Mitchell, 2005). Effective teamwork practices—such as open communication, diversity management, and fostering creativity—promote positive social exchanges that enhance organizational performance.

Clear communication strengthens trust and mutual respect among team members (Blau, 1964), while embracing diversity encourages the sharing of innovative ideas, leading to better problem-solving and creativity (Ojiaku et al., 2020; Bello & Hassan, 2021). According to SET, when the benefits of teamwork—like emotional support and shared achievements—outweigh the associated costs, employee engagement and SME performance improve significantly (Nwankwo & Kanyangale, 2022). Thus, SET provides a valuable framework for understanding how managing teamwork effectively—by ensuring equitable exchanges and fostering a supportive team environment—can drive the success and competitiveness of SMEs in resource-constrained regions like North Central Nigeria (Cropanzano & Mitchell, 2005).

Empirical Review

Eze and Uche (2023) investigated the *influence of communication on team effectiveness and business performance* among SMEs in Abuja. Using a quantitative survey of 300 respondents from 75 SMEs and multiple regression analysis, the study found a strong positive relationship between effective communication, team effectiveness, and enhanced business outcomes such as financial performance and customer satisfaction. The authors recommended that SMEs invest in modern communication tools to foster real-time collaboration, although the study was limited by its focus on formal communication, neglecting the influence of informal communication channels. In a related study, Adamu and Bello (2021) assessed the *effect of internal team communication on SME performance* in Kogi State using a mixed-method approach. They similarly found that effective internal communication improved employee productivity and customer satisfaction, reinforcing the idea that structured communication enhances team responsiveness and morale. However, the study noted potential bias from self-reported data and a limited sample size. Beyond

communication, diversity within teams has also been a focus. Yusuf and Adebayo (2023) explored the *influence of team diversity on SME innovation and competitiveness* in Kogi State. Their descriptive study found that diversity in age, education, and gender contributed positively to innovation and market share. Nevertheless, the authors cautioned that without effective diversity management, inefficiencies and conflicts could arise. Similarly, Eze and Uche (2022) analyzed *diversity management in teams as a catalyst for SME growth* in Port Harcourt. They confirmed that effective diversity management enhanced problem-solving and creativity, although the study did not examine the potential costs of implementing such policies. Creativity within teams has also been recognized as crucial for SME sustainability and competitiveness. Akinola and Bello (2023), through a longitudinal study of SMEs in Ibadan, demonstrated that *team creativity significantly boosted SME sustainability and growth*, promoting innovation and reducing employee turnover. However, they noted that long-term findings might not capture short-term creative challenges. Complementing this, Nwafor and Anya (2022) examined *team creativity and SME competitiveness* in Port Harcourt's service industry, finding that creativity led to greater market share and customer loyalty. Yet, unmanaged creativity sometimes resulted in team conflicts, indicating the need for structured creativity management processes. Lastly, Okeke and Obi (2021) studied the *impact of gender and ethnic diversity on teamwork and SME performance* in Abuja. Their study revealed that such diversity enhanced creativity and innovation, driving revenue growth and customer satisfaction. However, similar to other studies, they warned that without proper management, diversity could lead to team fragmentation. Their study also highlighted a gap by not considering other forms of diversity such as age or educational background. Collectively, these studies underline that effective communication, diversity management, and creativity are pivotal components of teamwork management that directly influence SME performance. However, they also reveal challenges such as conflict management and biases in data collection that future research must address to offer more holistic insights into the dynamics of SME teams.

METHODOLOGY

This study utilized a survey research design to examine how teamwork management—specifically communication, diversity, and creativity—affects the performance of SMEs in North Central Nigeria. Based on SMEDAN/NBS (2021), the population was 938,740 SMEs. A sample size of 400 was determined using Yamane's formula, and questionnaires were proportionally distributed across six state and FCT in North Central Nigeria using stratified random sampling. A total of 379) valid responses were analyzed. Data were collected using a structured five-point Likert scale questionnaire and analyzed with SPSS version 20.0 through descriptive statistics and multiple regression to test hypotheses and identify relationships. The methodology ensured statistical validity and broad regional representation.

Model Specification

The functional relationship for the study is expressed as:

$$PSME_{Si} = \alpha + \beta_1 CO_i + \beta_2 DI_i + \beta_3 CT_i + \epsilon_i(1)$$

Where:

PSME_{si}= Performance of SMEs (dependent variable)

α = Intercept or constant term

CO_i= Communication (independent variable)

Dl_i= Diversity (independent variable)

CT_i= Creativity (independent variable)

$\beta_1, \beta_2, \beta_3$ = Coefficients measuring the effect of each independent variable on SME performance

ϵ_i = Error term accounting for unobserved variables

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Table .1 Regression Model Summary

| Model Summary | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .831 ^a | .691 | .689 | 2.140 |

a. Predictors: (Constant), CR, DI, CO

The R Square value is 0.691, meaning that 69.1% of the variation in SME performance in North Central Nigeria can be explained by the combined influence of creativity, diversity inclusion, and communication. This suggests that these three teamwork management factors play a significant role in enhancing SME performance. The Adjusted R Square is 0.689, which adjusts the R Square value for the number of predictors in the model, confirming the model’s reliability and generalizability across different SME samples.

Table 2: ANOVA Result

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|---------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 3846.910 | 3 | 1282.303 | 279.897 | .000 ^b |
| | Residual | 1718.003 | 375 | 4.581 | | |
| | Total | 5564.913 | 378 | | | |

a. Dependent Variable: PSMEs

b. Predictors: (Constant), CR, DI, CO

The F-statistic is 279.897, with a significance value (Sig.) of .000, which is less than the conventional threshold of 0.05. This indicates that the model is statistically significant and that the combination of creativity, diversity inclusion, and communication has a meaningful and non-random effect on SME performance

Table .3 Coefficients

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | |
|-------|-----------------------------|------------|---------------------------|------|--------|------|
| | B | Std. Error | Beta | | | |
| 1 | (Constant) | -8.022 | 1.078 | | -7.445 | .000 |
| | CO | .263 | .028 | .371 | 9.352 | .000 |
| | DI | .648 | .059 | .343 | 11.029 | .000 |
| | CR | .592 | .044 | .509 | 13.349 | .000 |

a. Dependent Variable: PSMEs
Test of Hypotheses

The formulated hypotheses were tested using multiple regression analysis

H01: Effective communication within teams has no significant effect on the performance of SMEs.

Communication has a coefficient (B = 0.263) with a standardized beta of 0.371 and a *t*-value of 9.352. This implies that a one-unit increase in communication leads to a 0.263-unit increase in SME performance, all else being equal. Its strong beta value suggests communication plays a critical role in facilitating team alignment and operational clarity, which enhances performance.

H02: Diversity management does not significantly influence creativity and innovation in SMEs.

Diversity shows a higher unstandardized coefficient (B = 0.648) and a beta value of 0.343, with a *t*-value of 11.029. This result indicates that diverse teams, when well-managed, contribute significantly to performance through improved innovation, problem-solving, and market understanding.

H03: Creativity fostered through teamwork does not have a significant impact on the growth and sustainability of SMEs.

Creativity has the most substantial standardized beta ($\beta = 0.509$) and a coefficient of 0.592, with a very strong *t*-value of 13.349. This highlights that fostering creativity within teams has the greatest impact on SME performance. Creative teams are more likely to develop new ideas, adapt to market changes, and offer innovative products and services.

Discussion of Findings

The findings from the regression analysis revealed that communication, diversity, and creativity significantly and positively influence the performance of SMEs in North Central Nigeria. These outcomes strongly align with the principles of the Social Exchange Theory (SET), which posits that social behavior is the result of an exchange process aimed at maximizing benefits and minimizing costs (Blau, 1964). In organizational contexts, particularly SMEs, when team members perceive fair treatment, inclusion, and support through mechanisms like open communication, recognition of diverse perspectives, and encouragement of creativity, they are more likely to reciprocate with improved performance, loyalty, and innovation.

Communication emerged as a significant predictor of SME performance ($\beta = .371, p < .000$). This supports the SET perspective that effective communication fosters mutual respect, transparency, and trust within teams—key social currencies in exchange relationships. This finding is consistent with the empirical work of

Eze and Uche (2023), who found that clear and structured communication enhanced team effectiveness and business performance among SMEs in Abuja. Likewise, Adamu and Bello (2021) found that internal team communication positively influenced productivity and customer satisfaction in SMEs in Kogi State. These studies reinforce that open communication channels enable better coordination, reduce misunderstandings, and support collective goal alignment, all of which enhance SME outcomes.

Diversity also showed a strong, positive influence on SME performance ($\beta = .343, p < .000$), suggesting that diverse teams—when properly managed—can be a valuable asset. From the SET lens, diversity can enrich social exchanges when team members feel their unique backgrounds and inputs are respected and utilized. This finding echoes the work of Yusuf and Adebayo (2023), who highlighted that demographic diversity (age, gender, education) contributed positively to innovation and market competitiveness in SMEs in Kogi State. Similarly, Eze and Uche (2022) found that managing team diversity effectively in Port Harcourt SMEs improved creativity and market responsiveness. However, these benefits are conditional on leadership that fosters inclusion and prevents conflict, ensuring that the exchange relationship remains positive and beneficial for all members.

Creativity was the strongest predictor among the three variables ($\beta = .509, p < .000$), indicating its critical role in driving SME performance. SET helps explain this by suggesting that when team members' creative efforts are appreciated and rewarded, they are more likely to reciprocate with sustained innovation and commitment. This aligns with the findings of Akinola and Bello (2023), who demonstrated that team creativity enhances SME sustainability and growth by enabling the development of innovative products and improving employee retention. Similarly, Odu and Olumide (2019) emphasized the value of creative processes in fostering a competitive edge and customer satisfaction. When creativity is nurtured through supportive leadership and a conducive environment, SMEs can achieve long-term performance benefits.

CONCLUSION AND RECOMMENDATIONS

The study highlights that communication, diversity, and creativity are key drivers of SME performance in North Central Nigeria. Effective communication enhances trust and alignment within teams, while properly managed diversity fosters innovation and team efficiency. Creativity was found to have the most significant impact on SME performance, emphasizing its role in driving growth and maintaining competitiveness. These findings align with Social Exchange Theory (SET), which stresses the importance of reciprocal relationships, trust, and collaboration within teams. By focusing on these elements, SMEs can enhance their operational efficiency and overall success.

The study therefore recommends the following:

- i. The study recommend that SMEs should invest in communication tools and training to ensure clear, structured, and open communication within teams, enhancing decision-making and team alignment.

ii. The study also recommend that SMEs should implement inclusive hiring practices and diversity management programs, with leadership training on managing diversity to leverage the strengths of varied backgrounds and avoid conflicts.

iii. The study finally recommend that SMEs should cultivate a culture of creativity by providing resources, time, and support for idea-sharing, fostering an innovative environment that drives product development and customer satisfaction.

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