

Entrepreneurial Orientation and the Performance of Small and Medium Enterprises: Evidence from selected States in North Central Nigeria.

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ABSTRACT

Entrepreneurial orientation (EO) is recognized as a critical driver of firm performance, yet small and medium enterprises (SMEs) often struggle to fully leverage EO dimensions. This study explores the impact of entrepreneurial orientation (EO) on the performance of small and medium enterprises (SMEs) in selected states of North Central Nigeria. Using a survey research design with a quantitative approach, data were collected from registered SMEs in Abuja, Nasarawa, and Kogi, representing a population of 2,024,778 SMEs (SMEDAN, 2021). A sample of 399 SMEs was determined using Smith's (1984) formula, with 380 valid responses analyzed. Results, analyzed via multiple regression in SPSS version 20, indicated that there is a significant positive relationship between innovativeness and the performance of SMEs in selected states of North Central Nigeria. It was also found that Proactiveness has significant positive impact on the performance of SMEs in selected states of North central Nigeria. Finally, risk-taking has a significant positive impact on the performance of SMEs in selected states of North Central Nigeria. The study recommended that SME owners should maximize the benefits of innovation and prioritize innovations that directly align with their strategic goals and address specific market needs. It was also recommended that SMEs should invest in market research, trend analysis, and customer feedback mechanisms to stay ahead of market changes and identify new opportunities early.

Keywords: Entrepreneurial orientation, proactiveness, risk-taking, innovativeness, performance of SMEs

INTRODUCTION

Entrepreneurial Orientation (EO) is a critical concept within the field of entrepreneurship, reflecting a firm's strategic posture towards innovation, proactiveness, and risk-taking. It has been widely associated with competitive advantage and enhanced organizational performance, especially in dynamic and uncertain markets. EO captures a firm's willingness to explore new opportunities, adopt novel ideas, and take calculated risks to drive growth and adaptability. Given the increasing market volatility due to globalization, technological advances, and shifting consumer preferences, EO has garnered attention for

its role in enabling firms to respond effectively to environmental changes (Covin et al., 2020). These orientations contribute to strategic flexibility and resilience, positioning firms to better withstand economic pressures and capitalize on emerging trends. EO is especially relevant in fostering growth among small and medium enterprises (SMEs) in developing countries, where entrepreneurial dynamism often compensates for limited access to resources and structural constraints (Kreiser et al., 2021).

The dimensions of Entrepreneurial Orientation (EO) at their core jointly shape a firm's strategic approach to pursuing new opportunities and sustaining competitive advantage in dynamic markets. Innovativeness reflects a firm's commitment to creativity and the development of novel solutions, products, or services, which can differentiate it from competitors (Hughes et al., 2022). Proactiveness entails a forward-looking perspective, where firms anticipate future demands or changes, allowing them to take advantage of emerging trends before competitors (Wales et al., 2021). Risk-taking, the third dimension, highlights a firm's willingness to commit significant resources to uncertain ventures, balancing potential returns with calculated exposure to risks (Covin et al., 2020). Together, these dimensions form the foundation of EO, fostering a resilient and adaptable organizational culture that can thrive in uncertain environments (Kreiser et al., 2021).

Small and Medium Enterprises (SMEs) are critical drivers of economic development, contributing significantly to employment generation, poverty reduction, and economic growth, particularly in developing economies like Nigeria. The performance of small and medium-sized enterprises (SMEs) is often closely linked to their entrepreneurial orientation (EO), which encompasses innovativeness, proactiveness, and risk-taking. SMEs, due to their size and flexibility, are well-positioned to leverage EO to drive competitive advantage and improve performance in dynamic markets (Covin & Wales, 2019). EO enables SMEs to pursue new opportunities, innovate, and adapt quickly to environmental changes, which are essential for survival and growth, particularly in volatile economies (Gupta & Gupta, 2020). Research shows that SMEs with higher levels of EO tend to experience better financial and market performance, as they are more likely to introduce new products, enter emerging markets, and take calculated risks (Wales et al., 2021). Furthermore, EO plays a pivotal role in helping SMEs manage resource limitations by adopting innovative approaches to resource utilization, improving operational efficiency, and enhancing long-term sustainability (Kreiser et al., 2021). Despite the significant role of SMEs in Nigeria's economy, many struggle with growth and sustainability, which raises questions about the extent to which EO influences their performance. This study aims to investigate this relationship, with a focus on SMEs in North Central Nigeria.

SMEs in Nigeria, particularly in the North Central region, face numerous challenges, including poor access to finance, inadequate infrastructure, and an unstable business environment. Many SMEs experience stunted growth or failure despite government interventions aimed at fostering entrepreneurial development. While EO has been recognized as an important strategy for improving firm performance, there is limited empirical evidence on its effect on SME performance in this region. This study seeks to fill this gap by exploring the influence of EO on the performance of SMEs in North Central Nigeria.

The following research questions guided the study:

- (i) What is the relationship between innovativeness and the performance of SMEs in selected states of North Central Nigeria?
- (ii) How do proactiveness enhance the performance of SMEs in selected states of North Central Nigeria?
- (iii) To what extent do risk-taking enhance the performance of SME in selected states of North Central Nigeria?

The broad objective of the study is to investigate entrepreneurial orientation and the Performance of small and medium enterprises: Evidence from selected states in North Central Nigeria. The specific objective of the study include to:

- (i) Examine the relationship between innovativeness and the performance of SMEs in selected states of North Central Nigeria.
- (ii) Assess the impact of proactiveness and the performance of SMEs in selected states of North Central Nigeria.
- (iii) Analyze the effect of risk-taking and the performance of SMEs in selected states of North Central Nigeria.

The following hypotheses are proposed for the study:

H₀₁: There is a significant positive relationship between innovativeness and the performance of SMEs in selected states of North Central Nigeria.

H₀₂: Proactiveness has no significant positive impact on the performance of SMEs in selected states of North Central Nigeria.

H₀₃: Risk-taking has no significant positive impact on the performance of SMEs in selected states of North Central Nigeria.

REVIEW OF RELATED LITERATURE

Concept of Entrepreneurial Orientation

The concept has gained significant attention in the entrepreneurship literature as a driver of firm success in dynamic and competitive markets. Entrepreneurial orientation refers to a firm's strategic posture that reflects its willingness to innovate, take risks, and proactively seek out new opportunities (Covin & Wales, 2019). Entrepreneurial orientation encompasses a firm's orientation toward entrepreneurial behaviors and attitudes, including innovativeness (desire to develop new products), proactiveness (anticipation of future demands), and risk-taking (engagement in uncertain ventures) (Hughes et al., 2022). Entrepreneurial orientation is a foundational approach that empowers firms to gain and sustain competitive advantage by responding proactively to market shifts, investing in innovative solutions, and embracing calculated risks (Gupta & Gupta, 2020).

Entrepreneurial orientation reflects an organizational capability that builds resilience, allowing firms to effectively address uncertainty, resource constraints, and external challenges, particularly in small and medium-sized enterprises (Kreiser et al., 2021). Entrepreneurial orientation is viewed as a process that enables continuous innovation and maintains market leadership, supporting firms in staying ahead of competition through aggressive pursuit of emerging opportunities (Wales et al., 2021). Entrepreneurial orientation is a strategic orientation that drives growth, adaptability, and long-term performance by fostering a culture that supports experimentation, market foresight, and readiness to engage in high-reward activities (Covin et al., 2020).

Innovativeness

Innovativeness is the willingness of an organization to engage in and support creative processes, experimentation, and the development of new products, services, or processes (Covin et al., 2020). Innovativeness refers to a firm's commitment to pursue new opportunities by introducing novel products and services, which is essential for maintaining a competitive edge (Hughes et al., 2022). Innovativeness describes a firm's ability to foster new ideas, products, and solutions, helping it adapt to changing markets and stay ahead of competitors (Wales et al., 2021). Innovativeness involves the firm's ability to introduce breakthroughs in the market through the creation of unique products and services, differentiating it from others (Gupta & Gupta, 2020).

Proactiveness

Proactiveness is defined as a forward-looking behavior where firms actively seek to anticipate and respond to future market demands, often leading to early entry into new markets (Covin & Wales, 2019). Proactiveness reflects the firm's initiative to lead, rather than follow, in competitive environments by capitalizing on emerging trends before competitors (Gupta & Gupta, 2020). Proactiveness entails a strategic approach where firms aim to shape their business environment through aggressive market positioning and early investment in growth opportunities (Hughes et al., 2022).

Risk-taking

Risk-taking is the willingness of firms to commit significant resources to uncertain ventures that offer high potential returns but also pose a high degree of uncertainty (Covin et al., 2020). Risk-taking refers to a firm's ability to tolerate ambiguity and make bold decisions, even when the outcomes are uncertain, to achieve competitive advantage (Wales et al., 2021). Risk-taking involves engaging in high-risk activities, such as investing in unproven technologies or entering new, volatile markets, with the expectation of substantial returns (Gupta & Gupta, 2020). Risk-taking is characterized by the firm's readiness to make decisions under uncertainty and accept the potential for significant losses in pursuit of long-term gains (Kreiser et al., 2021).

Performance of Small and Medium-sized Enterprises (SMEs)

SME performance is often measured in terms of financial indicators such as profitability, growth, and market share, as well as non-financial indicators like customer satisfaction and employee retention. Small

and Medium-sized Enterprises (SMEs) in Nigeria play a vital role in the nation's economic growth, contributing significantly to job creation, income generation, and poverty reduction. With approximately 41 million SMEs, Nigeria has one of the largest small business sectors in Africa, accounting for about 50% of the country's Gross Domestic Product (GDP) and over 80% of employment. These enterprises span various industries, including agriculture, manufacturing, retail, and services, and are considered critical to Nigeria's diversification efforts away from oil dependence. Afolabi and Afolayan (2021) defined small and medium-sized enterprises (SMEs) as businesses that operate with limited resources and workforce but are vital contributors to economic growth, job creation, and innovation in both developing and developed economies. Adisa et al.(2022) defined SMEs as flexible and adaptable businesses that often operate with constrained resources, typically limited capital and human resources, positioning them as critical actors in dynamic and volatile markets. SMEs are enterprises defined by their relatively small size, with classifications based on employee numbers, revenue, and asset base, which differentiates them from larger corporations (Adebayo & Yusuf, 2022). SMEs are regarded as the engine of socio-economic development, characterized by their ability to stimulate local economies, drive innovation, and reduce poverty by creating job opportunities at the grassroots level (Mba & Eze, 2023).

Limited access to credit remains one of the most critical barriers. High-interest rates, strict collateral requirements, and limited credit facilities from formal financial institutions make it difficult for SMEs to secure necessary funding. Inconsistent power supply, poor transportation networks, and inadequate technology infrastructure significantly hinder productivity and competitiveness, increasing operational costs and limiting the ability to scale. Complex regulatory frameworks, heavy taxation, and bureaucratic procedures discourage SMEs from formalizing their operations. Navigating these regulations can be time-consuming and costly, impacting business growth. Many SMEs struggle with inadequate managerial skills, business expertise, and technological know-how, impacting their operational efficiency and ability to compete in both local and international markets. Due to limited resources and brand recognition, Nigerian SMEs often struggle to access larger markets. They face stiff competition from imported goods and larger domestic firms, especially in the retail and manufacturing sectors.

Theoretical Review

Resource-Based View (RBV) theory

The Resource-Based View (RBV) theory, introduced by Wernerfelt (1984) and later developed by Barney (1991), provides the theoretical foundation for this study. The RBV posits that firms achieve competitive advantage and superior performance by leveraging valuable, rare, inimitable, and non-substitutable (VRIN) resources. According to the RBV, firms that exhibit a strong entrepreneurial orientation can harness these dimensions to identify new market opportunities, innovate, and take calculated risks, thereby driving superior performance. By embedding EO as a strategic resource, SMEs can develop distinctive capabilities that foster long-term growth and competitiveness. Thus, the RBV suggests that SMEs which effectively develop and utilize EO as a resource are more likely to achieve a competitive edge and improve their overall performance in dynamic markets, particularly in challenging environments like Nigeria.

Contingency Theory

Contingency theory was introduced by Burns and Stalker (1961) and Lawrence and Lorsch (1967). The Contingency theory suggests an association between EO and firm performance is not uniform across all contexts but is influenced by external factors, such as market dynamism, competition, and economic conditions. For instance, in highly volatile or competitive environments, firms that exhibit higher levels of innovativeness, proactiveness, and risk-taking may outperform others, while in more stable environments, these dimensions of EO may not yield the same performance benefits. Thus, Contingency theory highlights the importance of context, indicating that the effectiveness of EO in driving performance is contingent on how well a firm's strategies fit with the external environment. This theoretical framework complements the Resource-Based View (RBV) by emphasizing that while EO may be a valuable internal resource, its impact on performance can vary based on external contingencies.

Empirical Review

Aliyu and Hassan (2023) studied the impact of innovativeness on SME competitiveness in Nigeria focusing on sectors such as technology, retail, and manufacturing. The research was conducted using a quantitative study involving 250 SMEs across these sectors, using a structured questionnaire to measure the level of innovativeness and its impact on competitiveness. Data was analyzed using regression analysis to determine the correlation between innovativeness and competitive outcomes like market share and customer retention. The findings revealed a strong positive relationship between innovativeness and competitiveness. The study concluded that innovativeness is crucial for SMEs aiming to maintain a competitive edge in the Nigerian market. The study recommended that SMEs prioritize innovation through dedicated research and development (R&D) efforts and seek government incentives to support their innovation activities.

Okoye and Ugwu (2023) examined the role of innovation in SME market share and profitability. The authors used a comparative analysis approach, surveying 150 SMEs classified into two categories: innovation-driven and conservative. Descriptive and inferential statistical methods were employed to compare market share and profitability between these two groups. The study indicates that a strong orientation towards innovation enhances a firm's ability to capture a larger market share and improve profitability. They concluded that SMEs prioritizing innovation are more likely to achieve superior market performance and recommended that SME managers cultivate a culture of continuous innovation to maintain a competitive edge.

Adewale and Olufemi (2023) investigated risk-taking and Profitability of Nigerian SMEs. The study employed a quantitative research approach, surveying 300 SME managers and owners on their risk-taking behaviors, including investments in uncertain projects and expansion into risky markets. The data was analyzed using multiple regression analysis to explore the relationship between risk-taking and profitability indicators, such as return on assets (ROA) and profit margin. The study revealed a significant positive relationship between risk-taking and profitability, particularly for SMEs in highly competitive and uncertain industries. SMEs that embraced calculated risks reported higher profitability, as they capitalized

on market opportunities that were overlooked by more risk-averse competitors. The study concluded that risk-taking is a key driver of profitability in volatile industries. They recommended that SME owners develop robust risk assessment strategies to maximize the benefits of risk-taking while minimizing potential downsides.

Okonkwo and Obasi (2022) investigated how proactiveness influences market positioning among SMEs in Nigeria and other emerging markets. A mixed-method study was conducted using surveys and interviews with 180 SME owners and managers. The quantitative data was analyzed through descriptive statistics, while qualitative data from interviews helped understand the nuanced ways proactiveness contributed to improved market positioning. The study found that proactive SMEs were more successful in positioning themselves as market leaders. Proactive behaviors, such as early adoption of new technologies and entry into underserved markets, enabled these firms to attract new customer segments and expand their presence in competitive markets. The study concluded that proactiveness is essential for SMEs seeking to achieve and sustain market leadership. They recommended that SME managers adopt a forward-looking approach, continually scanning for new opportunities, and invest in market research to identify and act on emerging trends.

Akinola et al. (2022) Studied entrepreneurial orientation and SME growth in Lagos State, Nigeria. The study utilized quantitative survey approach to collect data from 200 SME owners and managers. Regression analysis was used to examine the influence of EO dimensions (innovativeness, proactiveness, and risk-taking) on SME growth indicators, such as revenue, employee count, and market reach. The study found a significant positive relationship between EO and SME growth. Specifically, SMEs that exhibited higher levels of proactiveness and innovation showed remarkable increases in market reach and revenue, indicating that EO is a driver of growth within this context. They recommended that SMEs should invest in developing their entrepreneurial capabilities, particularly in innovativeness and proactiveness, to remain competitive.

METHODOLOGY

The study used a survey research approach. The target population includes registered SMEs in selected states within North Central Nigeria. Based on SMEDAN (2021) data, the distribution is as follows: Federal Capital Territory Abuja with 613,492 SMEs, Nasarawa with 472,546, and Kogi with 938,740, totaling 2,024,778 SMEs in the region. Smith's (1984) formula was applied to determine an appropriate sample size. A structured questionnaire was administered to SME owners and managers in selected states of North Central Nigeria to collect data on entrepreneurial orientation (EO) and performance indicators. Primary data was gathered using questionnaires, featuring Likert-scale items to measure EO dimensions (innovativeness, proactiveness, and risk-taking) and SME performance. The data was analyzed through multiple regression using SPSS version 20.

The Smith (1984) sample formula:

$$n = \frac{N}{3 + N(e)^2}$$

Where;

n = sample size;

N = population size;

e= Level of precision required;

3 = constant

In determining the sample size, the following variables were used:

Confidence interval = 95 %

e = Margin of error = 0.05

$$\frac{2024778}{3 + 2024778 (0.05)^2}$$

$$\frac{2024778}{3 + 2024778 (0.0025)}$$

$$\frac{2024778}{3 + 5.061945}$$

$$\frac{2024778}{5.064945}$$

$$399.76 \Rightarrow 399.$$

A total of 399 questionnaires were sent out.

Model Specification

The dependent variable in this study is Performance (PFC), while the independent variable is Entrepreneurial Orientation (EO), represented by the following indicators: Innovativeness (INN), Proactiveness (PRO), and Risk-Taking (RTG). To test the hypotheses, multiple regression analysis was employed to estimate the model. The model is presented as follows:

PFC = f(EO)

$$PFC = \beta_0 + \beta_1INN + \beta_2PRO + \beta_3RTG + \mu_i \text{-----} (1)$$

Where: EO = an indicator representing (Entrepreneurial orientation Independent Variable);

PFC= Performance (Dependent variable)

β_0 = a constant and β_{1-3} = coefficients of independent variables;

INN = Independent Variable (Innovativeness);

PRO= Independent Variable (Proactiveness);

RTG = Independent Variable (Risk taking);

μ = Stochastic error term;

i = Cross sectional; and

f = Functional relationship.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

A total of 380 questionnaires were correctly filled and returned.

Table 1
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	.966	.965	.225

a. Predictors: (Constant), RTG, INN, PRO

The model summary provides valuable understanding into the fit and predictive power of a regression model that includes the independent variables risk-taking, innovativeness, and proactiveness as predictors of the dependent variable. By examining key metrics such as the R value, R Square, Adjusted R Square, and the Standard Error of the Estimate, we can assess the effectiveness and reliability of the model. The R value for this model is 0.983, indicating a very high correlation between the combined predictors and the dependent variable. This high R value signifies a strong linear relationship within the model, suggesting that the predictors collectively have a significant association with the dependent variable. Such a strong correlation implies that the predictors (risk-taking, innovativeness, and proactiveness) are highly effective in explaining changes in the dependent variable. The R Square value, reported as 0.966, further reinforces the model's strength. An R Square of 0.966 means that 96.6% of the variability in the dependent variable is explained by the three predictors. This high R Square value indicates substantial explanatory power, demonstrating that the model can account for nearly all of the variance in the outcome. In essence, the model's ability to capture the variance in the dependent variable is robust, suggesting its effectiveness in understanding and predicting outcomes based on these predictors.

Furthermore, the Adjusted R Square value, which is 0.965, is very close to the R Square value, though slightly lower. Adjusted R Square is particularly useful in models with multiple variables, as it adjusts for the number of predictors to provide a more accurate measure of the model's fit. The small difference between R Square and Adjusted R Square here suggests that the addition of risk-taking, innovativeness,

and proactiveness as predictors enhances the model's performance without leading to overfitting. This similarity also reinforces that each predictor contributes meaningfully to the model.

Table 2

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	538.516	3	179.505	3532.780	.000 ^b
	Residual	19.105	376	.051		
	Total	557.621	379			

a. Dependent Variable: PFC

b. Predictors: (Constant), RTG, INN, PRO

In summary, the ANOVA analysis demonstrates that the regression model is highly statistically significant and effectively explains a large portion of the variance in performance. The high F-statistic and extremely low p-value indicate that risk-taking, innovativeness, and proactiveness are meaningful predictors of PFC, making the model reliable for understanding the relationships between these variables and the dependent variable.

Table 3

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.003	.028		-.089	.929
	IINN	.064	.011	.062	6.025	.000
	PRO	.582	.039	.589	14.982	.000
	RTG	.355	.036	.377	9.748	.000

a. Dependent Variable: PFC

Table 3 shows the innovativeness has an unstandardized coefficient of 0.064, which suggests a positive relationship with Performance. Its t-value (6.025) and significance level ($p < 0.001$) confirm that this relationship is statistically significant. However, the standardized coefficient (Beta = 0.062) is relatively low, indicating that while innovativeness is a significant predictor of Performance, its impact on Performance is comparatively smaller than that of the other variables in the model. The study rejects the null hypothesis and accept the alternate which specifies a significant positive relationship between innovativeness and the performance of SMEs in selected states of North Central Nigeria. This findings is in tandem with the result of Aliyu and Hassan (2023).

Also in table 3, Proativeness has a notably large positive unstandardized coefficient of 0.582. This high coefficient implies a strong positive relationship with Performance, which is further supported by its high t-value (14.982) and its statistical significance ($p < 0.001$). The standardized coefficient for Proativeness (Beta = 0.589) highlights that Proativeness is the strongest predictor among the variables, with a substantial effect on Performance. This also indicates that Proactiveness has a significant positive impact on the performance of SMEs in selected states of North Central Nigeria. The result resonates the findings of Okonkwo and Obasi (2022).

Similarly, table 3 also shows a positive relationship between risk taking and Performance, as indicated by its unstandardized coefficient of 0.355. The t-value of 9.748 and significance level ($p < 0.001$) confirm that this relationship is statistically significant. The standardized coefficient (Beta = 0.377) reveals that risk taking has a considerable impact on Performance. This further indicates that risk-taking has a significant positive impact on the performance of SMEs in selected states of North Central Nigeria. The findings is also in consonance with the result of Adewale and Olufemi (2023).

CONCLUSION AND RECOMMENDATIONS

The study demonstrates that all dimensions of Entrepreneurial Orientation (EO) innovativeness, proactiveness, and risk-taking positively influence the performance of SMEs in selected states of North Central Nigeria. Innovativeness, while positively associated with performance, has a relatively modest impact compared to the other EO dimensions. Proactiveness emerged as the strongest predictor, indicating that SMEs that actively seek opportunities and respond quickly to market demands tend to achieve better performance. Risk-taking also shows a significant positive effect on performance, suggesting that SMEs willing to embrace calculated risks benefit from enhanced outcomes.

The study recommended the following:

- i. SME owners and managers in North Central Nigeria should incorporate innovative practices but in a targeted and efficient manner. To maximize the benefits of innovation, they should prioritize innovations that directly align with their strategic goals and address specific market needs. Additionally, resources could be allocated to foster a culture that encourages gradual and

- ii. SME owners and managers in North Central Nigeria should prioritize proactive strategies to drive growth and success. SMEs should invest in market research, trend analysis, and customer feedback mechanisms to stay ahead of market changes and identify new opportunities early.
- iii. SMEs in North Central Nigeria can benefit from embracing calculated risks to improve their competitive position and growth. SME owners and managers should assess and manage risks strategically, particularly those related to market expansion, new product development, and investment in innovative technologies.

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