



DIMENSIONS OF ENTREPRENEURIAL ORIENTATION AND SMALL BUSINESS ENTERPRISES PERFORMANCE (A STUDY OF SELECTED SMEs IN BIDA METROPOLIS)

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ABSTRACT

Entrepreneurial orientation is a key ingredient for organizational success and leads to higher performance. Hence, the present study examined three major dimensions of entrepreneurial orientation (innovativeness, risk taking, and pro-activeness) as antecedents of SMEs performance. The businesses selection were based on business that have been in operation for the last five years, also whose their business should not

Introduction

The open market has promoted entrance of new competitors into protected markets, which causes burden on SMEs. In order to enter new markets and survive competitions postured by competitors, a business's performance remains a critical factor for the survival of SMEs in this competitive environment (Le Roux & Bengesi, 2014). The relationship between entrepreneurship and business performance has acknowledged significant attention in the literature over the last decades (Kreiser & Davis, 2010). According to Olubiyi (2019) the performance of small and medium sized enterprises (SMEs) has attracted the interest of scholars all over the world. However, these firms have experienced sub-optimal performance characterized by low market share, poor sales growth, weak profitability, which has rendered some of the SMEs less competitive and resulting into market failure. These prevalent challenges serve as the precedence for the high rate of closure of some of the SMEs without breaking even especially in developing nations. It is noteworthy, that these factors affect small and medium scale enterprises in developing and developed countries in varied degrees as a result of different context and environmental of



have less than three employees in Bida metropolis. A convenience sampling techniques was employed to select respondents that will participate in providing data for the study. The researcher administered 100 questionnaires in which 85 were returned while 85 returned and valid questionnaires were used for analysis with the aid of statistical packages for social sciences (SPSS). Exploratory factor analysis and Cronbach-alpha coefficients were calculated to assess the reliability of the instruments used. Correlation analysis was calculated to establish the relationship between the variables and multiple regression analysis was calculated to test the hypothesis developed. Results demonstrate that EO dimensions; Risk-taking, and Pro-activeness have significant impact on Small business performance while Innovativeness does not have significant impact on Small business performance In conclusion. The literature suggests that entrepreneurial orientation is a key ingredient for organizational success and leads to higher performance. This study recommends that Business owners should spread the arms of their risk-taking activities (investment) in diverse areas instead of only concentrating on one business to spread the risk and gain more returns. Also, Business owners should make extensive use of social media to win over competitor customers by updating them of new offers and discount.

Keywords: Innovativeness, Risk taking, Competitiveness aggressiveness, Autonomy and Pro-activeness.

operations. These seemingly unsatisfactory levels of performance have contributed to the global inefficiencies of SMEs in the world and this can be traced to lack of entrepreneurial orientation of the SMEs. According to Kusumawardhani (2009) SMEs with higher levels of Entrepreneurial Orientation (EO) have been found to perform better than those, which lack such orientation.

SMEs should do something new and exploiting opportunities that other organizations cannot exploit. Entrepreneurial orientation is an important variable in SMEs in emerging economies. Such environments are characterized by new emerging opportunities resulting from free movement of capital, goods and technologies.

This allows entrepreneurs to exploit opportunities with the minimum boundary restriction. SMEs in this former protected environment often lack entrepreneurial orientation to recognize or seize opportunities presented (Le Roux & Bengesi, 2014). Entrepreneurial orientation (EO) is a key concept when executives are crafting strategies in the hopes of doing something new and exploiting opportunities that other organizations cannot exploit.



The entrepreneurial orientation is positively linked to growth, competitive advantage and superior performance of SMEs. To compete in the cut throat competition at domestic and global levels, SMEs must review their strategies and adapt them according to the changing and dynamic environment. Also, SMEs should constantly seek new ways to exercise flexibility and improve their abilities to become innovative and more competitive in order to ensure growth and superior performance (Hussain, 2015).

In general, SMEs developments are essential in the growth strategy due to their ability to respond to the systematic shock rapidly and their potentials to generate jobs and income at the time when the large firm sector was undergoing a rapid decline. Although the literature suggests that entrepreneurial orientation is a key ingredient for organizational success and leads to higher performance, this study will investigate the interaction between the entrepreneurial orientation and performance of the firms. Moreover, as the concept of entrepreneurial orientation is important in competitive environment, it will be interesting to clarify the effect of entrepreneurial orientation on the performance of SMEs.

Statement of Problem

The main bone of contention here is that there is a reluctantly growth of SMEs in Nigeria, as Rasheed (2018) revealed that the SMEs sector in Nigeria has been stagnant due to a number of hurdles hampering its growth. Among these hurdles are; access to technology, human resources or entrepreneurial skills to be specific, government policies, land and location and access to financial support as noted by Olubiyi (2019).

On the other hand, Amodu (2017) echoes that lack of entrepreneurial activities (skills) is the main problem, and that Nigeria has no people to transform the resources that are already available

Therefore, it becomes imperatives to evaluate the relevant skills available to make entrepreneurs business to grow.

Statement of Objective

- i. To examine the relationship between innovativeness and investment in research and development
- ii. To examine the relationship between risk taking and new product development
- iii. To assess the relationship between pro-activeness and new market discovery

The proposed hypotheses are:

H₁: There is a significant positive relationship between innovativeness and investment in research and development.



H₂: There is a significant positive relationship between risk taking and new product development.

H₃: To assess the relationship between pro-activeness and new market discovery

Literature Review

Concept of Entrepreneurial Orientation

Entrepreneurial orientation was first introduced by Miller (1983). According to the author, a firm is considered entrepreneurial only if it scores high on all three traditional dimensions: innovation, pro-activeness, and risk taking. Subsequently, many researchers have used Miller's (1983) view across industries, countries, and cultures. For example, Lumpkin & Dess (1996) provide an alternative view of entrepreneurial orientation. They give a combination of five dimensions; the three set by Miller plus competitive aggressiveness and autonomy.

Entrepreneurial orientation is a tendency of businesses to act autonomously and innovative, take risks and is taking proactive initiatives to potential market conditions. According to Gupta & Gupta (2015) entrepreneurial orientation (EO) is overall strategic posture toward entrepreneurship is emerging as a predominant concept in management science. As knowledge in the area of entrepreneurial orientation has expanded, researchers have become interested in issues related to the evolution, potential contributions, and future trajectory of entrepreneurial orientation research.

According to Anderson (2013) entrepreneurial orientation (EO) is a firm-level strategic orientation which captures an organization's strategy-making practices, managerial philosophies, and firm behaviours that are entrepreneurial in nature. Wu (2017) defines entrepreneurial orientation as "an individual's attitude towards engaging in entrepreneurial activities, be it within an existing firm or creating a new venture. This attitude could be either favourable or unfavourable.

According to Callaghan (2018) entrepreneurial orientation is defined as the dimensions of entrepreneurial behaviour along which opportunity is pursued.

The concept of entrepreneurial orientation is widely used by scholars to measure or understand the entrepreneurial behavior of any organization. The entrepreneurial orientation emphasizes the policies and practices for entrepreneurial decision making process and the basis for its related actions (Kumasaru & Kumara, 2016). According to Rauch (2017) entrepreneurial orientation (EO) represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, entrepreneurial orientation may be viewed as the entrepreneurial strategy making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage(s).



Entrepreneurial orientation (EO) reflects an organization's processes, practices, and decision-making styles especially when it acts entrepreneurially. Any organization's level of EO can be understood by examining how it stacks up with relation to the three dimensions. These dimensions incorporate innovativeness, pro-activeness, and risk taking (Edwards, 2014).

In general, Entrepreneurial Orientation (EO) is a key concept when executives are crafting strategies in the hopes of doing something new and exploiting opportunities that other organizations cannot exploit.

Dimensions of Entrepreneurial orientation

The dimensions of entrepreneurial orientation differ from one research to another in the relevant literature. This study will adopt Miller's perspective of entrepreneurial orientation as the combination of innovativeness, risk taking, and pro-activeness.

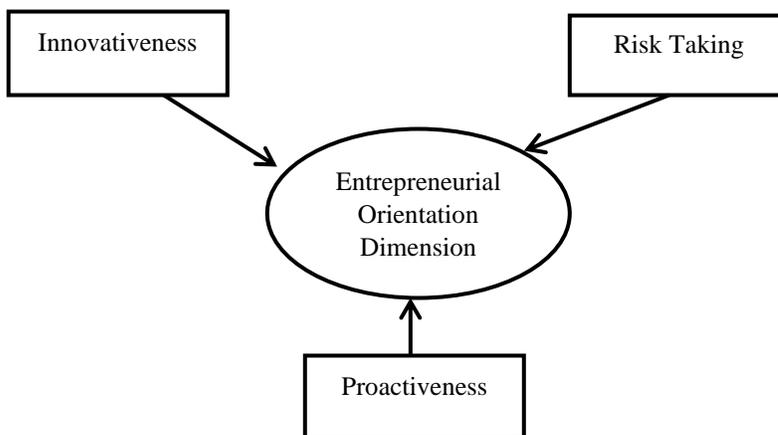


Figure 1: Dimensions of Entrepreneurial Orientation

Source: Field study, 2022.

- i. Innovativeness is the predisposition of a firm to support the creation of new ideas, experiment with new ways of doing things, renew technological methods, and advance existing products or services (Amodu & Aka, 2017). According to Edwards (2014) innovativeness is the tendency to pursue creativity and experimentation. Some innovations build on existing skills to create incremental improvements, while more radical innovations require brand-new skills and may make existing skills obsolete. Either way, innovativeness is aimed at developing new products, services, and processes. Those organizations that are successful in their innovation efforts tend to enjoy stronger performance than those that do not.
- ii. Risk-taking refers to the tendency to engage in bold rather than cautious actions (Edwards, 2014). Risk taking was historically a key characteristic associated with entrepreneurship. It originally referred to the risks individuals take by working for



themselves rather than being employed, but has since been widely applied to companies, for example, when managers make decisions that commit large amounts of resources to projects with uncertain outcomes (Schillo, 2011).

- iii. Pro-activeness refers to how firms relate to market opportunities by seizing initiative in the marketplace. Pro-activeness—a response to opportunities—is an appropriate mode for firms in dynamic environments or in growth stage industries where conditions are rapidly changing and opportunities for advancement is numerous. Pro-activeness is an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (Lumpkin & Dess, 2001).

Firm Performance Measures in SMEs

Firm performance measures include corporate image, reputation, quality of human resources, customer base, brand devotion, investment in research and development. Other performance measures are new product development, capacity to develop competitive profile, market orientation and development (Rasheed, 2018)

Research Methodology

Data were collected from Primary source. Primary data were collected from small and medium business owners/managers operation in Bida metropolis of Niger State using survey questionnaire. The businesses selection were based on business that have been in operation for the last five years, also whose their business should not have less than three employees in Bida metropolis. A convenience sampling techniques was employed to select respondents that will participate in providing data for the study. The researcher administered 100 questionnaires in which 85 were returned while 85 returned and valid questionnaires were used for analysis with the aid of statistical packages for social sciences (SPSS). Exploratory factor analysis and Cronbach-alpha coefficients were calculated to assess the reliability of the instruments used. Correlation analysis was calculated to establish the relationship between the variables and multiple regression analysis was calculated to test the hypothesis developed.

Table 1

EO Dimensions	Cronbach's Alpha value
Innovativeness	0.691
Risk-taking	0.827
Pro-activeness	0.703
Performance	0.662

Source: Field study, 2022.



Data Analysis and Results

Correlation Result

The correlation analysis was conducted to establish the correlation between the variables under investigation. Using the coefficient of Pearson's product-moment correlation (r), all the variables were positively and significantly ($p < 0.05$) correlated with one another as presented in (table 3). About the dependent variable performance, the highest correlation was reported for the independent variable Risk-taking ($r = 0.594$), followed by Pro-activeness ($r = 0.553$). This indicates that Risk-taking and Pro-activeness has a moderate correlation with performance while the other independent variables have low correlation with performance as explained by Taylor, (1990).

Table 2: Pearson Correlation Coefficient

	1	2	3	4	5	6
1. Innovation	0.672	1	0.446	0.627	0.255	0.453
	Sig. (.000)		Sig. (.000)	Sig. (.000)	Sig. (.000)	Sig. (.000)
2. Risk-taking	0.166	0.446	1	0.328	0.380	0.594
	Sig. (.001)	Sig. (.000)		Sig. (.000)	Sig. (.000)	Sig. (.000)
3. Pro-activeness	0.278	0.255	0.380	0.236	1	0.374
	Sig. (.000)	Sig. (.000)	Sig. (.000)	Sig. (.001)		Sig. (.000)
4. Performance	0.355	0.453	0.594	0.553	0.387	1
	Sig. (.000)					

Source: Field study, 2022.

Regression Analysis Result

Multiple regression analysis was conducted to test the extent of the impact of entrepreneurial orientation on Performance. The R-squared was obtained at 0.512 with a significant level $p < .000$. This means that the independent variables explain 51.2% of the variation in the dependent variables. The p-value for the F statistic is < 0.05 which means that at least one of the independent variables is a significant predictor of the dependent variable.

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Source: Field study, 2022.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
	1	(Constant)	1.651	.219		7.549	.000
	Innovation	-.018	.077	-.019	-.237	.813	.405
	Risk-taking	.272	.042	.421	6.547	.000	.658
	Pro-activeness	.064	.027	.138	2.369	.019	.803

a. Dependent Variable:
Performance

Source: Field study, 2022.

The prediction equation is based on the unstandardized coefficient. From the table, the findings show that there is a positive relationship between Risk-taking, Pro-activeness and performance while Innovativeness has negative impact on performance. This implies that a 1% increase in Risk-taking and Pro-activeness will increase business performance by 26.8%, 27.2% and 6.4% respectively. While a 1% increase in Innovativeness will decrease business performance by 18%. The model is presented below:

$$BP = 1.625 - 0.018(I) + 0.268(RT) + 0.064(P) + e$$

Where:

I= Innovativeness

BP= Business performance

RT= Risk-taking

P= Pro-activeness

Drawing from the coefficient table, a significant positive relationship was found between the independent variables, Risk-taking (6.547; $p < 0.05$) and Pro-activeness (2.369; $p < 0.019$) and the dependent variable *Business performance*. However, no relationship was found to have existed between *Innovativeness* (-.237; $p < 0.813$) and the dependent variable *Business performance*. Therefore, hypothesis H_{01} is rejected and H_{02} and H_{03} are accepted.



Result and Discussion

The result of this study indicates that the businesses that participated in this study engage in risk-taking and pro-active activities such as making bold investment that could harvest superior return, making efforts to win customers from competitors, watch competitors' business strategies to react promptly and making dramatic changes in business activities. However, the percentage of respondent that agreed to undertake innovative activities was insignificant. The reason for this unwillingness might be because of previous unsuccessful experiences of innovative activities. Meanwhile, whether innovative activities are related to business experience is a literature gap that draws a research interest.

Drawing from the multiple regression analysis, it was revealed that Risk-taking and Pro-activeness have a significant positive impact on Business performance. This indicates that the more the business take on Risk-taking and Pro-activeness activities, the more likely the Business performance increases. This finding is consistent with the study of Matchaba-Hove and Vambe, (2014). However, no significant relationships were reported of innovativeness and Business performance. This finding is consistent with the result of a study by Rasheed (2018) and not consistent with the study by Lee and Lim, (2009).

Conclusion

The literature suggests that entrepreneurial orientation is a key ingredient for organizational success and leads to higher performance. More so, the study highlighted the relationship between EO dimensions (*Risk-taking and Pro-activeness*) and business performance. The results of the regression analyses indicate that EO dimensions; *Risk-taking and Pro-activeness have impact on business performance while innovativeness has no impact on business performance.*

Recommendations

Based on the findings, this study recommends the following:

1. Business owners should spread the arms of their risk-taking activities (investment) in diverse areas instead of only concentrating on one business to spread the risk and gain more returns.
2. Business owners should make extensive use of social media to win over competitor customers by updating them of new offers and discount.
3. Business owners should conduct a SWOT analysis on their business that will help in developing strategies for business improvement

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