

# Role of Entrepreneurial Orientation in SME Performance: Examining the Impact of Individual Dimensions

Ezenne Chinenye Christiana\*, Gazi Md Nurul Islam

Tun Razak Graduate School, University Tun Abdul Razak, 195A, Jalan Tun Razak, Hampshire Park,  
50450, Kuala Lumpur, Malaysia.

\*Corresponding author

DOI: <https://dx.doi.org/10.47772/IJRISS.2025.90500031>

Received: 29 April 2025; Accepted: 02 May 2025; Published: 28 May 2025

## ABSTRACT

Small and Medium Enterprises (SMEs) are essential to Nigeria's economic growth, yet their performance remains constrained by multiple external challenges. Previous studies have primarily attributed SME performance issues to financial constraints, poor infrastructure, and regulatory inefficiencies. These external barriers are widely studied but the role of internal strategic behaviours, particularly Entrepreneurial Orientation (EO), in driving SME performance remains underexplored. This study examines the impact of five EO dimensions—Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness—on SME performance in Nigeria to determine which dimensions contribute mostly to business success.

A quantitative research approach was adopted, using systematic random sampling to collect data from 211 SME owners and managers in Lagos State, Nigeria. Data were analysed using Spearman correlation and multiple regression analysis to assess the direct impact of EO dimensions on firm performance. The results indicate that Innovativeness, Proactiveness, and Competitive Aggressiveness significantly enhance SME performance, indicating that firms that prioritize innovation, anticipate market trends, and aggressively challenge competitors tend to achieve better financial and non-financial outcomes. However, Risk-taking and Autonomy were found to have no significant direct effect on SME performance. This suggests that strategic market engagement and innovation are key drivers of SME success in Nigeria, while risk-taking and autonomy may be limited by external constraints. The findings offer valuable insights for SME owners, policymakers, and researchers. Encouraging innovation and proactive strategies can strengthen SME growth, while future research should explore sector-specific and external moderating factors to refine EO strategies further.

**Keywords:** Entrepreneurial Orientation, SME Performance, Innovativeness and Proactiveness, Market Competition, Strategic Business Growth

## INTRODUCTION

Small and Medium Enterprises (SMEs) are pivotal to Nigeria's economic development, significantly contributing to employment generation, poverty alleviation, and national income growth. SMEs account for approximately 49% of Nigeria's GDP and employ about 84% of the workforce, making them an essential driver of economic activity. However, despite their importance, Nigerian SMEs face persistent challenges that hinder their growth and sustainability, including limited access to finance, inadequate infrastructure, volatile government policies, and intense market competition. Addressing these challenges requires more than external interventions; SMEs must develop internal strategic capabilities to enhance competitiveness and long-term survival. Among these internal factors, Entrepreneurial Orientation (EO) has emerged as a critical determinant of business performance, influencing how firms identify opportunities, manage risks, and navigate competitive environments.

EO is a multidimensional construct that reflects an organization's strategic posture through five key dimensions: Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness. Innovativeness enables firms to develop new products and services, while proactiveness allows them to anticipate market trends

and respond effectively to emerging opportunities. Competitive aggressiveness strengthens a firm's ability to challenge competitors and sustain market positioning. However, the impact of risk-taking and autonomy on SME performance remains uncertain and context dependent. While risk-taking encourages businesses to explore new ventures, excessive risk without financial backing may lead to business failure. Similarly, autonomy—defined as independent decision-making—may benefit SMEs in flexible markets, but its effectiveness in highly regulated or structured environments remains debatable.

While previous research has primarily attributed SME under performance to external barriers such as financial constraints and regulatory inefficiencies, there is growing recognition that internal strategic behaviours, particularly EO, significantly influence business success. Given Nigeria's dynamic and uncertain economic environment, a more nuanced understanding of which EO dimensions contribute most to SME performance is essential. This study seeks to analyse the individual impact of EO dimensions on SME success, offering evidence-based insights for business owners, policymakers, and researchers.

## Problem Statement

SMEs are vital to Nigeria's economic growth, yet they face persistent challenges that hinder their sustainability and performance. While extensive research has focused on external barriers—such as financial constraints, regulatory instability, and inadequate infrastructure—less attention has been given to internal strategic factors, particularly EO and its role in shaping SME success.

EO, a multidimensional construct, consists of Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness. Studies have shown that Innovativeness and Proactiveness can significantly enhance SME performance, whereas Risk-taking and Autonomy yield mixed or context-dependent results. Moreover, Competitive Aggressiveness, while often linked to market dominance, can also lead to unsustainable business practices if not strategically managed. Despite the extensive literature on EO, many studies treat it as a single construct rather than analysing the distinct contributions of its individual dimensions.

Additionally, most EO research is conducted in developed economies, where business environments differ significantly from Nigeria's volatile market conditions. Given these gaps, a context-specific investigation is needed to assess the independent effects of each EO dimension on SME performance in Nigeria. This study addresses this gap by conducting an empirical analysis of how each EO dimension influences SME success, providing practical insights for SME owners, policymakers, and business strategists to develop more effective entrepreneurial strategies.

## Research Objectives

This study aims to analyse the individual effects of EO dimensions—Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness—on the performance of SMEs in Nigeria. By evaluating each dimension separately, the study seeks to identify which strategic behaviours contribute most to SME success and which may be less effective in Nigeria's volatile business environment. Additionally, the study examines whether EO dimensions function similarly in emerging economies compared to their widely recognized effects in developed markets.

- To examine the direct impact of each Entrepreneurial Orientation dimension (Innovativeness, Risk-taking, Autonomy, Proactiveness, Competitive Aggressiveness) on SME performance in Nigeria.
- To explore how contextual challenges in Nigeria (e.g., financial constraints, regulatory environment, market competition) influence the effectiveness of EO dimensions on SME performance.
- To provide practical recommendations on how Nigerian SMEs can strategically leverage EO dimensions to improve business performance.

## LITERATURE REVIEW

### Entrepreneurial Orientation and Firm Performance

Entrepreneurial Orientation (EO) is a widely studied construct in entrepreneurship research, representing a firm's

strategic posture toward risk-taking, innovation, autonomy, proactiveness, and competitive aggressiveness (Lumpkin & Pidduck, 2021). It defines how firms engage with uncertainty, seize market opportunities, and sustain competitive advantages (Mostafiz et al., 2022). SMEs, particularly in volatile economies like Nigeria, rely on EO to navigate complex market conditions and improve business performance (Isiche et al., 2020).

EO's relationship with firm performance remains a subject of debate. Some studies assert that EO fosters business growth, market expansion, and profitability (Soares & Perin, 2019). However, others argue that its impact is context-dependent, as external factors—such as financial constraints, industry regulations, and market competition—can moderate the effectiveness of EO strategies (Lumpkin & Pidduck, 2021; Nasir et al., 2017). While Innovativeness and Proactiveness have been consistently linked to improved firm performance (Iqbal et al., 2021; Waibe et al., 2018), the roles of Risk-taking and Autonomy remain inconclusive, particularly in emerging markets where SMEs face high financial volatility and regulatory hurdles (Hossain et al., 2022; Gomes, Seman, Berndt, & Bogoni, 2022). Competitive Aggressiveness, although beneficial in dynamic industries, can lead to unsustainable competition if not strategically managed (Waibe et al., 2018).

Despite the extensive research on EO, many studies treat it as a single construct, failing to differentiate the contributions of each dimension (Diandra & Azmy, 2021). However, emerging research suggests that these dimensions function independently, with varying levels of influence depending on business environments (Lumpkin & Pidduck, 2021). Given the limited empirical evidence in Nigeria, an in-depth analysis of individual EO dimensions is crucial for understanding their distinct effects on SME performance.

Many empirical studies found that EO consists of five key dimensions—Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness—each playing a unique role in shaping business strategy and outcomes (Lumpkin & Pidduck, 2021; Diandra & Azmy, 2021).

### **Innovativeness And Firm Performance**

Innovativeness reflects a firm's ability to develop new products, services, or business models to gain a competitive edge (Iqbal et al., 2021). Innovation-driven firms are more adaptable, competitive, and profitable, as they continuously explore market trends and technological advancements (Mandung et al., 2025). Research consistently supports a positive link between innovation and firm performance, with studies showing that innovative SMEs achieve higher profitability, market expansion, and customer loyalty (Bahta, Yun, Islam, & Ashfaq, 2021).

However, innovation is resource-intensive, requiring significant investment in research, skilled labour, and technology (Canh, Liem, Thu, & Khuong, 2019). In resource-constrained environments like Nigeria, limited financial and infrastructural support often hinders innovation adoption (Waibe et al., 2018). Some studies suggest that while process and product innovations boost market share, their immediate impact on profitability may be delayed (Tuan, Nhan, Giang, & Ngoc, 2016).

Empirical findings on Nigerian SMEs are inconsistent. While some research confirms a strong positive link between innovation and firm performance (Ibrahim & Abu, 2020), others find negative or insignificant effects, particularly in less developed regions (Adegbe, 2017; Ogunode et al., 2020). These findings suggest that external factors—such as access to capital, government support, and industry type—influence the effectiveness of innovation in driving SME success.

### **Autonomy And Sme Performance**

Autonomy, a key dimension of EO, refers to the ability of individuals or teams to act independently in initiating and implementing business ideas (Lumpkin & Pidduck, 2021). High-autonomy firms foster innovation, accelerate decision-making, and enhance adaptability by allowing employees to pursue new opportunities without excessive managerial control (Diaz & Sensini, 2020). Autonomy also facilitates decentralized structures, enabling better knowledge-sharing and problem-solving, which can drive SME growth and competitiveness (Diaz & Sensini, 2020).

However, the impact of autonomy on SME performance remains inconsistent. Some studies highlight its positive

effects, linking autonomy to improved flexibility, proactive market engagement, and enhanced innovation (Iqbal et al., 2021). Research in Nigeria suggests that SMEs with greater autonomy perform better due to increased responsiveness to market shifts (Diaz & Sensini, 2020). Conversely, other studies indicate that excessive autonomy can lead to inefficiencies, strategic misalignment, and poor coordination, particularly in resource-limited environments (Amarteifio and Agbeblewu, 2020; Diaz & Sensini, 2020).

These mixed findings suggest that autonomy's effectiveness is context dependent. Nigerian SMEs should balance independent decision-making with structured oversight to ensure alignment with business goals while leveraging autonomy for innovation and market responsiveness.

### **Risk-Taking And Firm Performance**

Risk-taking refers to a firm's willingness to commit resources to uncertain opportunities, including investing in untested markets, technologies, and product innovations (Lumpkin & Pidduck, 2021; Pratono, 2018). In competitive markets, firms that embrace calculated risks can achieve higher returns by capitalizing on emerging trends before competitors (Hossain et al., 2022). Studies show that moderate risk-taking enhances business growth, whereas excessive risk exposure can lead to financial instability (Iqbal et al., 2021; Gomes et al., 2022).

However, risk-taking does not always guarantee success, particularly in economies with high financial volatility and regulatory uncertainty (Ahmed & Azhari, 2021). While firms in stable economies can mitigate risks through financial backing, SMEs in developing countries like Nigeria often struggle with limited credit access and market unpredictability, making high-risk investments potentially detrimental.

Studies on Nigerian SMEs show conflicting results. While some report a positive correlation between risk-taking and performance (Ibrahim & Abu, 2020; Pratono, 2018), others indicate insignificant or even negative effects (Adegbe, 2017; Amarteifio and Agbeblewu, 2020). These discrepancies suggest that risk-taking should be accompanied by strategic risk management practices, such as market research, phased investments, and contingency planning.

### **Proactiveness And Firm Performance**

Proactiveness refers to a firm's ability to anticipate market trends, identify opportunities, and act before competitors (Astrini et al., 2020; Diaz & Sensini, 2020). Proactive firms monitor industry changes, leverage market intelligence, and adopt forward-thinking strategies to maintain a competitive advantage (Waibe et al., 2018). Research suggests that proactive SMEs perform better than reactive firms, as they can mitigate risks, drive innovation, and secure first-mover advantages (Iqbal et al., 2021).

However, proactiveness requires strategic foresight and financial commitment. Firms that fail to assess market conditions accurately may overextend resources or misjudge customer demand, leading to financial strain (Hossain et al., 2022). The resource-based view (RBV) highlights that proactiveness is most effective when coupled with strong financial and operational capabilities (Hossain et al., 2022).

Empirical studies indicate a strong positive relationship between proactiveness and SME performance (Iqbal et al., 2021; Waibe et al., 2018). However, findings vary based on market conditions, with some research showing insignificant effects in less competitive sectors (Adegbe, 2017). These differences underscore the need for context-specific proactiveness strategies that align with industry dynamics and resource availability.

### **Competitive Aggressiveness and Firm Performance**

Competitive aggressiveness represents a firm's intensity in challenging competitors, defending market share, and pursuing growth strategies (Lumpkin & Pidduck, 2021; Weinzimmer et al., 2023). Firms that exhibit aggressive competition tactics—such as price reductions, strategic alliances, and aggressive marketing—can achieve rapid market expansion (Gomes et al., 2022). Competitive aggressiveness is particularly advantageous in industries where differentiation and market positioning are critical (Thomran et al., 2022).

However, excessive aggressiveness can backfire, leading to price wars, customer dissatisfaction, and brand



erosion (Perera & Samarakoon, 2021). Research suggests that while competitive aggressiveness boosts short-term market performance, it must be strategically managed to ensure long-term sustainability (Adedoyin, 2021)

Studies on Nigerian SMEs confirm a positive association between competitive aggressiveness and business performance (Ibrahim & Abu, 2020; Adegbe, 2017). However, research also warns against over-aggressive strategies, which can lead to financial overextension and reputational risks (Adedoyin, 2021). Nigerian SMEs must balance aggressive expansion with strategic brand positioning to ensure sustainable growth.

Together, these EO dimensions provide a comprehensive framework for understanding SME behaviour in competitive markets. However, their impact on performance varies across different economic contexts, making it essential to examine their contributions in Nigeria.

From the literature review, it was found that existing research on Entrepreneurial Orientation (EO) has been primarily Western-centric, conducted in developed economies with stable financial regulatory and market environments. (AlQhaiwi & Abukaraki, 2021). However, SMEs in Nigeria face unique challenges in a volatile, resource-constrained market, where financial constraints, regulatory uncertainties, and infrastructure deficits are prevalent (Lumpkin & Pidduck, 2021). While studies show that Innovativeness and Proactiveness positively influence firm performance, the effects of Risk-taking and Autonomy remain unclear, particularly in high-risk environments (Nasir et al., 2017; Amarteifio and Agbeblewu, 2020; Pratono, 2018). Furthermore, Competitive Aggressiveness may sometimes lead to unsustainable practices, especially in price-sensitive markets like Nigeria (Waibe et al., 2018).

Research on the EO-performance relationship in Nigeria is limited and inconclusive, with some studies suggesting positive effects, while others highlight external factors like financial constraints and competition intensity (Ibrahim & Abu, 2020; Adegbe, 2017). Given these gaps, this study aims to fill the void by analysing the individual effects of each EO dimension on SME performance in Nigeria. By providing a context-specific investigation, this research will offer valuable insights to help SMEs thrive in Nigeria's dynamic market environment.

## Theoretical And Conceptual Framework

This study is grounded in two key theories: the Resource-Based View (RBV) and Innovation Theory, which provide a strong foundation for understanding how EO dimensions—Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness—directly impact SME performance. These perspectives highlight the importance of internal entrepreneurial capabilities and innovation in fostering competitive advantage and business success.

The Resource-Based View (RBV), introduced by Barney (1991), posits that firms achieve sustainable competitive advantage by leveraging unique, valuable, and inimitable internal resources. Firms with strong entrepreneurial capabilities can outperform competitors by relying on internal strengths rather than external factors. In the context of Nigerian SMEs, EO dimensions act as strategic intangible resources that help businesses navigate market challenges and sustain growth (Lumpkin & Pidduck, 2021). Innovativeness and Proactiveness enable firms to develop new products and anticipate market trends, while Competitive Aggressiveness strengthens market positioning (Lumpkin & Pidduck, 2021). Meanwhile, Risk-taking and Autonomy foster adaptability and independent decision-making, allowing SMEs to explore new opportunities (Oluremi & Maku, 2024). Given the external barriers Nigerian SMEs face, such as financial constraints and regulatory instability, RBV underscores the need to capitalize on internal entrepreneurial strengths to drive business performance (Mansi, 2021).

Complementing RBV, Innovation Theory, developed by Schumpeter (1934), asserts that entrepreneurial success is driven by continuous innovation in products, services, business models, and market strategies. Firms that proactively innovate and embrace change gain a competitive edge and sustain long-term growth (Hossain et al., 2022). For Nigerian SMEs, Innovativeness and Proactiveness are crucial for responding to dynamic market conditions and evolving customer needs (Waibe et al., 2018). Empirical evidence suggests that firms investing in innovation tend to experience improved financial and operational performance (Iqbal et al., 2021). Innovation

Theory supports the argument that SMEs with strong EO dimensions, particularly those prioritizing innovation and aggressive competition, are more likely to thrive in unpredictable business environments.

By integrating RBV and Innovation Theory, this study develops a conceptual framework that examines the direct relationships between EO dimensions and SME performance in Nigeria. The framework positions EO dimensions as independent variables and SME performance as the dependent variable. The conceptual model (illustrated in Figure 1) guides the study's hypothesis development, addressing gaps in prior research that often treats EO as a single construct rather than analysing its individual dimensions.

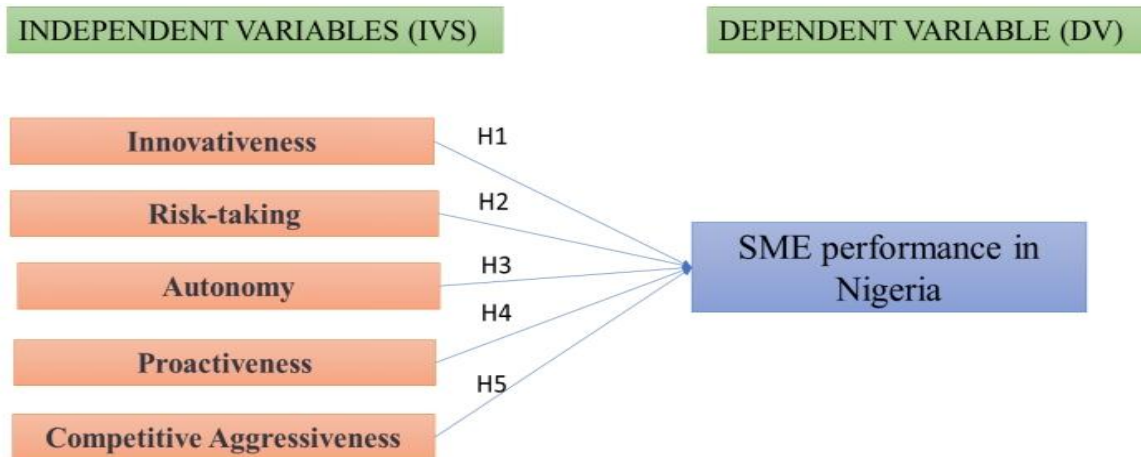


Figure 1 Conceptual framework.

Building upon this framework, the study develops the following hypotheses:

- H1: Innovativeness has a positive and significant effect on SME performance in Nigeria.
- H2: Risk-taking has a positive and significant effect on SME performance in Nigeria.
- H2: Autonomy has a positive and significant effect on SME performance in Nigeria.
- H4: Proactiveness has a positive and significant effect on SME performance in Nigeria.
- H5: Competitive Aggressiveness has a positive and significant effect on SME performance in Nigeria.

## RESEARCH METHODOLOGY

This study adopts a comprehensive quantitative research design to examine the impact of Entrepreneurial Orientation (EO) dimensions on the performance of Small and Medium Enterprises (SMEs) in Nigeria. Using the Research Onion framework (Saunders, Lewis, & Thornhill, 2019), the study is structured to address essential research components such as philosophy, approach, strategy, and data collection techniques. The research follows a positivist philosophy, emphasizing empirical data and statistical analysis to uncover objective relationships between variables (Ali, 2024). A deductive approach was utilized, where hypotheses were derived from established theories and tested through data collection and analysis (Creswell & Creswell, 2018).

A survey-based strategy was chosen for data collection, facilitating structured responses from a large and diverse sample of SME owners and managers in Lagos State, Nigeria. Lagos, being the commercial hub of Nigeria with a high concentration of SMEs (PwC, 2020), provided an ideal setting for this research. The sampling method employed systematic random sampling to minimize bias and ensure the representativeness of the sample, with 300 questionnaires distributed and 211 usable responses collected, providing a robust basis for analysis.

Data integrity was maintained through careful handling of outliers and missing data, utilizing statistical techniques such as Mahalanobis distance and standard deviation analysis to ensure a reliable dataset. Measurement scales were validated for reliability using Cronbach's Alpha, with all variables showing acceptable

reliability levels, ensuring the accuracy of the survey instruments. Descriptive and inferential statistical methods were used for data analysis, including Spearman's correlation and multiple regression, to examine the relationships between EO dimensions and SME performance. These techniques allowed for a clear assessment of how Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness contribute to business outcomes in Nigeria's dynamic economic context. Moreover, ethical considerations were prioritized, with participants assured of confidentiality and voluntary participation, aligning with best practices for academic research.

## RESULTS

### Demographic Analysis

The demographic analysis provides critical insights into the characteristics of the respondents, ensuring a diverse and representative sample of SME stakeholders. The age distribution reveals that only 11.8% of respondents were aged 18 to 30 years, while many of the respondents are between 31 to 50 years (78.7%), indicating that SME leadership in Nigeria is dominated by mid-career professionals. This aligns with studies suggesting that entrepreneurial experience and financial stability are key enablers of SME success (Farrell et al., 2022).

Gender distribution shows a near-equal representation, with 54% male and 46% female respondents, reflecting the increasing participation of women in Nigeria's entrepreneurial ecosystem. Moreover, 93% of respondents had at least a bachelor's degree, indicating a high level of educational attainment among SME owners and managers. The dominance of sole proprietors (38%) and private limited companies (36%) highlights the entrepreneurial independence of Nigerian SMEs, reinforcing the significance of strategic decision-making in business performance.

### Inferential Statistical Analysis

#### Correlation Analysis

Table 1 is a Spearman correlation analysis table, conducted to examine the relationships between EO dimensions and SME performance. Spearman's correlation was chosen as the study used Likert-scale-based ordinal data, which is suitable for non-parametric statistical tests (Tanujaya et al., 2022).

**Table 1. Correlation Analysis**

Variable	Innovation	Risk-taking	Autonomy	Proactiveness	Competitive Aggressiveness	SME Performance
Innovation	1.000	.538**	.206**	.480**	.395**	.541**
Risk-taking	.538**	1.000	.336**	.485**	.359**	.379**
Autonomy	.206**	.336**	1.000	.416**	.242**	.271**
Proactiveness	.480**	.485**	.416**	1.000	.595**	.569**
Competitive Aggressiveness	.395**	.359**	.242**	.595**	1.000	.445**
SME Performance	.541**	.379**	.271**	.569**	.445**	1.000

#### Significance Level: $p < 0.01$ (2-tailed)

The results show that all EO dimensions are positively correlated with SME performance, with the highest correlations observed for innovation ( $r = 0.541$ ,  $p < 0.01$ ) and proactiveness ( $r = 0.569$ ,  $p < 0.01$ ). Competitive

aggressiveness ( $r = 0.445$ ,  $p < 0.01$ ) also showed a moderate positive relationship. However, risk-taking ( $r = 0.379$ ,  $p < 0.01$ ) and autonomy ( $r = 0.271$ ,  $p < 0.01$ ) exhibited weaker correlations, suggesting that these dimensions may not significantly enhance SME performance on their own. These findings align with previous research indicating that proactive and innovative firms tend to perform better than those relying solely on risk-taking strategies (Nasir et al., 2017; Gomes et al., 2022).

### Regression Analysis

Table 2 is the model summary from the multiple regression analysis. It shows that 40.3% of the variance in SME performance is explained by EO dimensions, which is statistically significant ( $F(5,205) = 27.715$ ,  $p < 0.01$ ). This suggests that EO factors play a substantial role in determining SME performance, though other external factors may also contribute.

**Table 2. Regression Analysis (Model Summary)**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
1	0.635	0.403	0.389	0.45184

The model shows that 40.3% of the variance in SME performance is explained by EO dimensions, which is statistically significant ( $F(5,205) = 27.715$ ,  $p < 0.01$ ). This suggests that EO factors play a substantial role in determining SME performance, though other external factors may also contribute.

**Table 3. Regression Analysis (Anova Test)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	28.292	5	5.658	27.715	0.000
Residual	41.852	205	0.204		
<b>Total</b>	<b>70.144</b>	<b>210</b>			

Since the p-value is less than 0.01, the regression model is statistically significant, confirming that EO dimensions significantly impact SME performance, as shown in table 3.

**Table 4. Regression Analysis (Coefficients)**

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.810	0.284		2.853	0.005
<b>Innovation</b>	0.339	0.064	0.361	5.297	0.000
<b>Risk-taking</b>	-0.015	0.073	-0.014	-0.201	0.841
<b>Autonomy</b>	0.078	0.059	0.083	1.320	0.188
<b>Proactiveness</b>	0.223	0.077	0.225	2.892	0.004
<b>Competitive Aggressiveness</b>	0.131	0.056	0.159	2.339	0.020

Only innovativeness ( $p < 0.001$ ), proactiveness ( $p = 0.004$ ), and competitive aggressiveness ( $p = 0.020$ ) significantly predict SME performance, while risk-taking ( $p = 0.841$ ) and autonomy ( $p = 0.188$ ) do not significantly contribute to performance outcomes. This reinforces the argument that strategic innovation and proactive market engagement are the primary drivers of SME success in Nigeria.



## DISCUSSIONS

### Innovativeness And Sme Performance

The study finds that innovativeness has a significant positive effect on SME performance ( $\beta = 0.339$ ,  $p < 0.001$ ), supporting H1. This finding aligns with prior research suggesting that innovation-driven SMEs experience higher financial growth, market expansion, and customer loyalty. The RBV theory supports this argument, emphasizing that unique and inimitable capabilities, such as technological advancements, product differentiation, and creative business models, provide firms with a sustainable competitive advantage.

However, while innovation fosters competitive advantage, it is resource-intensive, requiring skilled labor, R&D investment, and technology adoption. In Nigeria, where SMEs often face financial constraints and limited technological infrastructure, innovation adoption can be challenging. Research suggests that while process and product innovations enhance market positioning, their profitability effects are sometimes delayed due to market volatility and resource limitations.

Empirical studies on Nigerian SMEs show mixed results. While Ibrahim & Abu confirm a strong positive relationship between innovation and SME success, others, such as Ogunode et al. and Adegbe, suggest that innovation alone may not guarantee profitability, particularly in underdeveloped regions. These discrepancies indicate that external enablers, such as government incentives, access to finance, and industry collaboration, may moderate the impact of innovation on performance. Future research should explore how innovation intensity varies across different sectors in Nigeria, particularly in high-tech and service industries.

### Risk-Taking And Sme Performance

The study finds that risk-taking does not significantly impact SME performance ( $\beta = -0.015$ ,  $p = 0.841$ ), leading to the rejection of H2. While theoretical models suggest that firms that take strategic risks can gain first-mover advantages and expand into emerging markets, empirical research presents inconsistent findings. Some studies indicate that moderate risk-taking enhances business growth, while others suggest that high-risk strategies may lead to financial instability, especially in volatile economies like Nigeria.

In stable economies, firms can mitigate risks through structured financial mechanisms, risk-sharing partnerships, and government-backed funding programs. However, Nigerian SMEs often operate in a high-risk environment with limited credit access, economic uncertainty, and unpredictable policy changes. As a result, firms that take aggressive financial risks without adequate backing may face negative performance outcomes.

Previous studies on Nigerian SMEs confirm this dual perspective. While Ibrahim & Abu report a positive correlation between risk-taking and SME performance, other studies, such as Adegbe and Amarteifio & Agbeblewu, suggest insignificant or negative effects, depending on industry conditions and financial security. This highlights the importance of risk-mitigation strategies, such as gradual investment approaches, market testing, and external financing options. Policymakers should focus on expanding SME credit facilities and providing risk-mitigation frameworks to encourage calculated entrepreneurial risk-taking without exposing businesses to excessive financial distress.

### Autonomy And Sme Performance

The study finds that autonomy does not significantly enhance SME performance ( $\beta = 0.078$ ,  $p = 0.188$ ), leading to the rejection of H3. While autonomy is often associated with faster decision-making, enhanced innovation, and operational flexibility, its impact on SME performance appears to be highly dependent on external regulatory structures, leadership dynamics, and market conditions. In Nigeria's bureaucratic business environment, where firms must navigate complex compliance requirements and regulatory constraints, excessive autonomy may create operational inefficiencies, increased compliance risks, and fragmented decision-making.

The study finds that autonomy does not significantly enhance SME performance ( $\beta = 0.078$ ,  $p = 0.188$ ), leading to the rejection of H3. While autonomy is often associated with faster decision-making, enhanced innovation, and operational flexibility, its impact on SME performance appears to be highly dependent on external regulatory

structures, leadership dynamics, and market conditions. In Nigeria's bureaucratic business environment, where firms must navigate complex compliance requirements and regulatory constraints, excessive autonomy may create operational inefficiencies, increased compliance risks, and fragmented decision-making.

Interestingly, previous Nigerian studies have reported mixed results on the role of autonomy in SME performance. These inconsistencies suggest that the influence of autonomy may vary based on industry type, firm size, and leadership structure. For instance, in highly regulated sectors like banking or manufacturing, firms may benefit more from structured decision-making than from decentralized autonomy. Conversely, in tech-based startups or creative industries, autonomy may facilitate innovation and agility.

Given these nuances, policymakers should consider streamlining regulatory processes and reducing bureaucratic barriers to give SMEs greater operational flexibility. Additionally, fostering business mentorship programs, strategic networking opportunities, and leadership training initiatives can help SMEs balance autonomy with structured external support mechanisms. Future research should explore whether autonomy interacts with other organizational factors such as leadership style, digital transformation, and market competition, to assess its indirect effects on SME success.

### **Proactiveness And Sme Performance**

The study finds that proactiveness has a significant positive effect on SME performance ( $\beta = 0.223$ ,  $p = 0.004$ ), confirming H4. This aligns with previous research, which emphasizes that proactive firms anticipate market shifts, adapt to external uncertainties, and secure first-mover advantages. The RBV perspective suggests that firms that develop market intelligence capabilities and proactive decision-making mechanisms tend to outperform competitors in highly dynamic markets.

However, proactiveness is not without challenges. While firms that actively monitor industry trends and regulatory changes tend to be more competitive, businesses that overestimate market opportunities may misallocate resources and suffer financial setbacks. Research suggests that proactiveness is most beneficial when coupled with strong financial and operational capabilities.

Empirical studies generally support the positive role of proactiveness in SME success. However, some findings indicate that its effects vary across industries—in less competitive or highly regulated sectors, proactiveness alone may not yield significant gains. These insights suggest that context-specific proactiveness strategies are needed. Nigerian SMEs should align their proactive strategies with industry trends, leverage market research, and build financial resilience to fully capitalize on emerging business opportunities.

### **Competitive Aggressiveness and Sme Performance**

The study confirms that competitive aggressiveness has a significant positive effect on SME performance ( $\beta = 0.131$ ,  $p = 0.020$ ), supporting H5. Research suggests that firms that adopt aggressive competition strategies, such as pricing tactics, aggressive marketing, and strategic alliances, often experience higher market expansion and brand recognition. Competitive aggressiveness is especially critical in industries where differentiation and customer acquisition are key drivers of success.

However, excessive aggressiveness can backfire, leading to price wars, customer dissatisfaction, and brand erosion. Some studies warn that while short-term market gains may be achieved through aggressive competition, long-term sustainability may be at risk if firms lack a balanced strategy.

Findings on Nigerian SMEs support the positive correlation between competitive aggressiveness and performance. However, caution is required, as over-aggressive expansion can result in financial over-extension and reputational damage. Nigerian SMEs should adopt strategic brand positioning, customer retention strategies, and sustainable competition tactics to maintain market dominance without jeopardizing long-term business viability.

Based on the findings and discussion the hypothesis testing results are summarized in Table 5, which presents the standardized beta coefficients ( $\beta$ ), p-values, and hypothesis outcomes.

**Table 5. Hypothesis testing**

Hypothesis	Variable	Beta ( $\beta$ )	p-value	Result
H1	Innovativeness $\rightarrow$ SME Performance	0.339	<0.001	✓ Supported
H2	Risk-taking $\rightarrow$ SME Performance	-0.015	0.841	✗ Not Supported
H3	Autonomy $\rightarrow$ SME Performance	0.078	0.188	✗ Not Supported
H4	Proactiveness $\rightarrow$ SME Performance	0.223	0.004	✓ Supported
H5	Competitive Aggressiveness $\rightarrow$ SME Performance	0.131	0.020	✓ Supported

### Implications For Sme Owners, Policymakers, And Researchers

The findings of this study provide significant implications for SME owners, policymakers, and researchers, emphasizing the need for context-specific entrepreneurial strategies tailored to Nigeria's economic realities. For SME owners, the results highlight that Innovativeness, Proactiveness, and Competitive Aggressiveness are critical drivers of performance. Firms that prioritize innovation by introducing new products, enhancing operational efficiencies, and leveraging technological advancements tend to gain a competitive edge. However, the benefits of innovation and competitive aggressiveness must be carefully managed, as excessive market competition without sustainable business strategies may result in price wars, financial over extension, and reputational risks. Business owners should therefore balance growth ambitions with long-term strategic planning, ensuring that aggressive expansion does not undermine financial stability.

For policymakers, the study underscores the structural barriers limiting SME success, particularly the lack of impact of risk-taking and autonomy on firm performance. These findings suggest that financial constraints, bureaucratic inefficiencies, and regulatory complexities weaken entrepreneurial decision-making, discouraging high-risk business ventures. Policymakers should therefore focus on expanding SME financing options, streamlining business regulations, and providing targeted incentives for innovation and market expansion. Additionally, promoting entrepreneurial education programs that foster market intelligence and risk management skills could enhance SMEs' strategic decision-making capabilities.

From a research perspective, this study opens avenues for deeper inquiry into why autonomy and risk-taking fail to enhance SME performance in Nigeria. Future studies should explore how external moderating factors—such as institutional frameworks, cultural attitudes toward entrepreneurship, and access to digital infrastructure—affect the efficacy of EO dimensions. Comparative research between developing and developed economies may further clarify the contingent nature of EO's impact on SME growth, offering broader insights into global entrepreneurial strategies.

### Limitations And Suggestions for Future Research

While this study provides valuable insights into the impact of EO dimensions on SME performance in Nigeria, several limitations must be acknowledged. First, the study employs a cross-sectional research design, which captures data at a single point in time. This limits the ability to observe long-term trends and causal relationships between EO dimensions and SME performance. Future research should consider a longitudinal approach to track how EO strategies evolve and impact firm success over time.

Second, the study focuses exclusively on SMEs in Lagos State, which, while economically significant, may not fully represent SMEs in other regions with different economic conditions, cultural dynamics, and regulatory environments. Expanding the research to other states or cross-country comparisons could enhance the generalizability of the findings. Third, self-reported data may introduce response bias, as SME owners might overestimate or underestimate their entrepreneurial activities. Future studies should incorporate triangulation methods, such as secondary financial data or expert evaluations, to improve data reliability.

Finally, the study finds that Risk-taking and Autonomy do not significantly impact SME performance, yet external factors may influence these relationships. Future research should explore moderating and mediating variables, such as government policies, digital adoption, and financial support systems, to gain a deeper understanding of the EO performance link.

## CONCLUSION

This study successfully analysed the individual effects of Entrepreneurial Orientation dimensions—Innovativeness, Risk-taking, Autonomy, Proactiveness, and Competitive Aggressiveness—on the performance of SMEs in Nigeria. By evaluating each EO dimension separately, the study provided empirical insights into their direct impact, highlighting which strategic behaviours contribute most to SME success and which are less effective in Nigeria's volatile business environment.

The findings confirm that Innovativeness, Proactiveness, and Competitive Aggressiveness significantly enhance SME performance, reinforcing the importance of market anticipation, strategic competition, and product innovation in driving business growth. In contrast, Risk-taking and Autonomy were found to have no significant direct impact, suggesting that external constraints such as financial limitations, regulatory complexities, and economic uncertainty may hinder the effectiveness of these dimensions in the Nigerian SME sector.

By achieving its research objectives, the study contributes to the entrepreneurial literature by providing context-specific evidence on EO performance relationships in an emerging economy. It further highlights the influence of Nigeria's business environment on the effectiveness of EO dimensions, offering practical recommendations for SME owners, policymakers, and business strategists. For SME owners, the study suggests focusing on innovation and proactive market engagement while adopting a cautious approach to high-risk investments. Policymakers should address financial and regulatory barriers to enhance the impact of EO on SME growth.

Future research should explore moderating factors such as digital transformation, firm age, and sector-specific influences on EO performance relationships. A longitudinal approach could further refine the understanding of how EO dimensions shape SME success over time in Nigeria and other developing economies.

## REFERENCES

1. Adedoyin, O., et al. (2021). Entrepreneurial orientation and market share of selected quoted consumer goods manufacturing companies in Nigeria. *International Journal of Engineering and Management Research*, 11(2). <https://ssrn.com/abstract=3827683>
2. Adegbe, B. (2017). The impact of entrepreneurial orientation on small business performance in Makurdi, Benue State, Nigeria. *Nigerian Journal of Management Sciences*, 6(1), 244–253.
3. Ahmed, H., & Azhari, A. (2021). The performance and corporate risk-taking of firms: Evidence from Malaysian agricultural firms. *Journal of Agribusiness Development and Emerging Economies*, 11(1).
4. Ali, I. M. (2024). A guide for positivist research paradigm: From philosophy to methodology. *Ideology Journal*, 9(2).
5. AlQhaiwi, L. A., & Abukaraki, R. B. (2021). The impact of entrepreneurial orientation on supporting creative behaviour of managers: An empirical study on medium-sized enterprises in Amman city, Jordan. *International Journal of Entrepreneurship*, 25, 1–23.
6. Amarteifio, E. N. A., & Agbeblewu, S. (2020). Entrepreneurial orientation and firm performance of tourist accommodation establishments in Ghana. *Open Journal of Business Management*, 8(4), 1619–1640.
7. Astrini, N. J., et al. (2020). Innovativeness, proactiveness, and risk-taking: Corporate entrepreneurship of Indonesian SMEs. *IOP Conference Series: Materials Science and Engineering*, 722(1), 012037.
8. Awad, O. A. (2018). The relationship between inspirational leadership and entrepreneurship in small and medium-sized enterprises in Gaza Strip. (M.S. thesis, Islamic University of Gaza). <https://bit.ly/3MJl5Kn>
9. Bahta, D., Yun, J., Islam, M. R., & Ashfaq, M. (2021). Corporate social responsibility, innovation capability, and firm performance: Evidence from SMEs. *Social Responsibility Journal*, 17(6), 840–860.
10. Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17,



- 99–120. <https://doi.org/10.1177/014920639101700108>
11. Canh, N. T., Liem, N. T., Thu, P. A., & Khuong, N. V. (2019). The impact of innovation on firm performance and corporate social responsibility of Vietnamese manufacturing firms. *Sustainability*, 11(13), 3666.
12. Creswell, J. W., & Creswell, J. D. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5th ed.). Sage.
13. Dangana, K. A. (2022). *Entrepreneurial orientation and performance of selected medium scale manufacturing firms in North Central, Nigeria*. (Ph.D. dissertation). Kwara State University, Nigeria.
14. Diandra, D., & Azmy, A. (2021). How multidimensional approach of entrepreneurial orientation (EO) affects firm performance: A critical review. *Journal of Management and Business*, 12(1), 30–40.
15. Diaz, E., & Sensini, L. (2020). Entrepreneurial orientation and firm performance: Evidence from Argentina. *International Business Research*, 13(8), 47.
16. Farrell, A., Mapanga, W., Chitha, N., Ashton, J., & Joffe, M. (2022). Characteristics, enablers, and barriers affecting entrepreneurial behaviour for academics in low- and middle-income countries: A scoping review. *Development Southern Africa*, 39(4), 589–603.
17. Gomes, G., Seman, L. O., Berndt, A. C., & Bogoni, N. (2022). The role of entrepreneurial orientation, organizational learning capability, and service innovation in organizational performance. *Revista de Gestão*, 29(1), 39–54.
18. Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
19. Hossain, K., et al. (2022). Impact of innovativeness, risk-taking, and proactiveness on export performance in a developing country: Evidence of qualitative study. *RAUSP Management Journal*, 57(2), 165–181.
20. Ibrahim, A. U., & Abu, M. M. (2020). Influence of entrepreneurial orientation on firms' performance: Evidence from small and medium enterprises in Nigeria. *International Journal of Economics and Financial Issues*, 10(2), 99–106.
21. Igweh, F., & Stephen, A. (2019). Effect of entrepreneurial roles on the performance of SMEs: The Nigeria human resource perspective. *International Journal of Business Economics and Management*, 3(1), 22–29.
22. Iqbal, S., et al. (2021). Linking entrepreneurial orientation with innovation performance in SMEs: The role of organizational commitment and transformational leadership using Smart PLS-SEM. *Sustainability*, 13(8), 4361.
23. Isichei, E. E., Agbaeze, K. E., & Odiba, M. O. (2020). Entrepreneurial orientation and performance in SMEs: The mediating role of structural infrastructure capability. *International Journal of Emerging Markets*, 15(6), 1219–1241.
24. Izah, S. C., Sylva, L., & Hait, M. (2023). Cronbach's alpha: A cornerstone in ensuring reliability and validity in environmental health assessment. *ES Energy and Environment*, 23, 1057.
25. Lumpkin, G. T., & Pidduck, R. J. (2021). Global entrepreneurial orientation (GEO): An updated, multidimensional view of EO. In *Entrepreneurial Orientation: Epistemological, Theoretical, and Empirical Perspectives* (pp. 17–68). Emerald Publishing.
26. Mandung, F., Sahari, S., & Amra, W. (2025). Understanding how companies utilize technological innovation for competitive advantage: A qualitative inquiry. *Golden Ratio Data Summary*, 5(1), 144–154.
27. Mansi, N. E. (2021). *Entrepreneurial orientation and performance of SMEs in Nigeria: The roles of managerial experience and network ties*. (Ph.D. dissertation). Manchester Metropolitan University.
28. Mostafiz, M. I., Hughes, M., & Sambasivan, M. (2022). Entrepreneurial orientation, competitive advantage, and strategic knowledge management capability in Malaysian family firms. *Journal of Knowledge Management*, 26(2), 423–458.
29. Nasir, W. M. N., Al Mamun, A., & Breen, J. (2017). Strategic orientation and performance of SMEs in Malaysia. *SAGE Open*, 7(2). <https://doi.org/10.1177/2158244017712768>
30. Nwokocha, V. C., Nwankwo, C. E., Nwosu, I. G., & Madu, I. A. (2020). An appraisal of production subcontracting toward small and medium-scale enterprises development in the Nigeria industrial sector: A review approach. *SAGE Open*, 10(3). <https://doi.org/10.1177/2158244020941001>
31. Ogunode, P., Abereola, S. N., Oloyede, O., & Adeola, O. (2020). Entrepreneurship marketing and



- performance of SMEs in Nigeria. *International Journal of Small Business and Entrepreneurship Research*, 8(1), 39–52.
32. Oluremi, O. D., & Maku, A. O. (2024). Small and Medium Scale Enterprises and Nigeria Economic Growth. *International Journal of Small Business and Entrepreneurship Research*, 12(5). <https://doi.org/10.37745/ijbsber.2013/vol12n57189>
  33. Perera, L. S., & Samarakoon, S. M. A. K. (2021). Effect of entrepreneurial orientation on SMEs' innovation performance in Sri Lanka. *Asian Journal of Advanced Research and Reports*, 15(2), 55–63.
  34. Pratono, A. H. (2018). Does firm performance increase with risk-taking behavior under information technological turbulence? Empirical evidence from Indonesian SMEs. *Journal of Risk Finance*, 19(4), 361–378.
  35. PwC. (2020). PwC's MSME Survey 2020: Building to Last. Nigeria report. <https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-2020-final.pdf>
  36. Saunders, M. N. K., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8th ed.). Pearson.
  37. Schumpeter, J. A. (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credits, Interest, and the Business Cycle*. Piscataway, NJ: Transaction Publishers.
  38. Shaher, A. T. H. Q., & Ali, K. (2020). The effect of entrepreneurial orientation and knowledge management on innovation performance: The mediation role of market orientation. *Management Science Letters*, 10(15), 3723–3734.
  39. Soares, M. do C., & Perin, M. G. (2019). Entrepreneurial orientation and firm performance: An updated meta-analysis. *RAUSP Management Journal*, 55(2), 143–159.
  40. Tanujaya, B., Prahmana, R. C. I., & Mumu, J. (2022). Likert scale in social sciences research: Problems and difficulties. *FWU Journal of Social Sciences*, 16(4), 89–101.
  41. Thomran, M., Alshallaqi, M., Al-Mamary, Y. H., & Abdulrab, M. (2022). The key enablers of competitive advantage formation in small and medium enterprises: The case of the Ha'il region. *Frontiers in Psychology*, 13, 1030405.
  42. Tuan, N., Nhan, N., Giang, P., & Ngoc, N. (2016). The effects of innovation on firm performance of supporting industries in Hanoi, Vietnam. *Journal of Industrial Engineering and Management*, 9(2), 413.
  43. Waibe, S. B., Rosli, N. A., & Saad, S. (2018). Proactiveness, innovativeness, and firm performance: The mediating role of organizational capability. *Academy of Strategic Management Journal*, 17(5).
  44. Weinzimmer, L., Esken, C. A., Michel, E. J., McDowell, W. C., & Mahto, R. V. (2023). The differential impact of strategic aggressiveness on firm performance: The role of firm size. *Journal of Business Research*, 158, 113623.