

# Entrepreneurial Orientation and Performance of Small and Medium Enterprises in Southwestern Nigeria

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## ABSTRACT

The study determined the effect of entrepreneurial orientation on SMEs performance. These were with the view to providing information on the relationship between entrepreneurial orientation and SMEs performance in Southwestern Nigeria.

The study adopted a descriptive survey research design. Primary data were employed for the study. The study population comprised 26,744 SMEs in Southwestern Nigeria (NBS-SMEDAN, 2021 Report). A sample size of 394 SMEs were derived using the Taro Yamani (1967) formula for the study. Multi stage sampling technique was used for the study. At the first stage, stratified random sampling technique was used to select Lagos, Oyo and Osun states as states with the highest number of SMEs in Southwestern Nigeria (NBS-SMEDAN, 2017 Report). At the second stage, purposive sampling technique was used to select seven sectors based on the proliferations of SMEs as stated in the NBS -SMEDAN National Survey of Micro Small & Medium Enterprises (2021). These include: Agriculture, Manufacturing, Building and Constructions, Trading, Hotel/ Restaurant, Estate/Renting and Education. At the third stage, the 394 respondents were selected from the chosen sectors within the States using the proportional sampling technique as the sample size. Data were obtained through the administration of copies of a questionnaire.

The results revealed that innovativeness ( $t = 2.516$ ,  $p < 0.05$ ), risk taking ( $t = 3.846$ ,  $p < 0.05$ ) and competitive aggressiveness ( $t = 5.307$ ,  $p < 0.05$ ) had significant effect on the performance of the SMEs. The study concluded that entrepreneurial orientation enhanced the performance of SMEs in Southwestern Nigeria.

**Keywords:** Innovativeness, Proactiveness, Entrepreneurship, Entrepreneurial orientation

## INTRODUCTION

Small and medium enterprises (SMEs) play a vital role in the economic development and growth of the world's evolving, developing, and industrialized nations. The progress of this key industry is one strategy that could assist the government in achieving its goal of supporting businesses as a means for guiding speedy industrialisation, addressing the challenges of joblessness, and promoting universal commercial progress. The SME sector's input to the Nigerian economy proves that it is a critical means for economic progress and expansion. It has been established that SMEs employ around 84.02 percent of the overall labor force, comprise 96 percent of Nigerian firms, and support 48.47 percent of the country's Gross Domestic Product (GDP) (Small and Medium Enterprises Development Agency of Nigeria, 2017).

Entrepreneurial Orientation (EO) is an important aspect in the accomplishment of a business (Wang, 2008). It has been defined as the procedure and policymaking processes utilized by entrepreneurs to initiate and

encourage business activity (Lumpkin & Dess, 2001; Kropp, Lindsay & Shoham, 2006; Yi et al., 2021). It has also been defined as having three components: innovativeness, risk-taking, and pro - activeness (Naman & Slevin, 1993).

Innovativeness entails looking for novel or innovative solutions to issues and demands. Product development, the expansion of new markets, and new methods and technology for accomplishing management duties are all part of this component. The readiness of organisation to devote significant funds to opportunities in the face of difficulty or uncertainties is referred to as the risk-taking component. Proactiveness means the capacity to take initiative when the situation calls for it.

Entrepreneurial Orientations have a tremendous impact on the achievement of small and medium businesses. A detailed evaluation of EO is an addendum to encouraging small and medium companies, which is one of the most effective tools for accomplishing economic growth and competitive goals (Kazem & Van der Heyden, 2006; Semrau et al., 2016). Nonetheless, several key issues continue to limit the concept's ability to contribute fully to the success of SMEs. Various business people possess different ideas, which has an impact on how they run their firms and, consequently, how well they succeed.

Global financial and economic catastrophes, joblessness, accelerated technology innovation, and strong competition have increased the necessity for businesses to be much more entrepreneurially focused so as to expand and get through (Ireland, Covin & Kurako, 2009; Buame, 2012; Dess, Lumpkin & McGee, 1999). As a result, if SMEs become entrepreneurially oriented, these issues will be less of a problem. This supports Carree and Thurik's (1998) assertion that SMEs and entrepreneurship play a larger role in economic development. This is because businesses that are entrepreneurial are much more able to outperform non-entrepreneurial enterprises in terms of performance and ability to detect and grasp opportunities (Knight (2000; Covin & Slevin (1991). Businesses which take part in market growth advancement, take on some risky investments, and are normally the first to come up with constructive technologies, trying to beat competition in the market to the punch, are vocationally focused. To Miller's (1983) concept, Lumpkin and Dess (1996) add autonomy and competitive aggressiveness. In essence, the current state of EO dialogue posits that a corporation must be proactive, innovative, take risk, competitively assertive and autonomous in order to be entrepreneurially oriented. Based on the above-mentioned authors' understanding of EO, several research examined the connection between EO and corporate performance (Slater & Narver 2016; Wiklund & Shepherd 2003; Rauch et al.). This research was carried out on small and medium businesses (SMEs) since, during the last two decades, the tendency of large businesses becoming the primary job creators has overturned. This may be due to the rising rate of SMEs forming and their significant impact to economic growth (Terzioviski, 2010).

Previous studies have focused on and raised concerns about the association between EO and firm performance. According to Rauch et al., (2009), companies that demonstrate EO characteristics function better than those that are conservatively inclined. As a result, earlier studies have revealed that EO has greatly enhanced the performance of businesses (Covin & Slevin 1989; Covin & Slevin, 1991; Lumpkin & Dess, 1996; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005). A large number of research on EO and corporate productivity have also found a positive correlation (Abubakar, 2011; Abu-Saifan, 2012; Igwe et al., 2019). On the other side, research have shown that EO does not have a positive impact on company performance (Zainol and Ayadurai, 2011; Mahmood & Hanafi, 2013; Arshad et al., 2014; Ojewumi and Fagbenro, 2019). In a similar line, other research has shown that EO has an inconclusive effect on a company's productivity. These could be the result of environmental variables mediating each other (Arshad et al., 2014; Kosa et al., 2018). As a result, studies of EO, such as Lumpkin and Dess (1996) categories, are important since several research have found a link between EO and firm performance.

The majority of works on the influence of EO on SMEs' performance have been carried out in industrialised nations. While a lot of studies have looked into the EO productivity link across Africa, there are just a few that have examined it in the context of SMEs in Nigeria (Adeoye & Olokundun, 2021). It is in the view of the identified issues that this study was set out to examine the effect of entrepreneurial orientation on the performance of SMEs in Southwestern Nigeria.

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## Hypotheses

The following Null hypothesis was formulated for test in this study

H0i Entrepreneurial orientation has no significant effect on the performance of small and medium enterprises.

## LITERATURE REVIEW

The review of related literatures on the present study shall be presented in this chapter. The review is conducted under the following major heads, namely conceptual review, theoretical review and review of empirical studies. In addition, the conceptual framework is also provided to show the interrelationships among the specific variable of interest.

### Conceptual Review

#### Entrepreneurship

There have been no clear agreement on how entrepreneurship should be defined (Carsrud et al., 1986; Wortman, 1987; Gartner, 1990; Bridge et al, 2010).

Joseph Schumpeter and Israel Kirzner were two economists who changed the theoretical concept of entrepreneurship in the twentieth century. These researchers' perspectives and concepts of entrepreneurship carried weight and fresh meanings are just slight variants of the two, they are most popular in entrepreneurship research (Hansemark, 1998). In the opinion of Betta, Jones and Latham (2010), the Schumpeterian school of thinking looked at enterprise through the lens of creative destruction, or a market imbalance that ultimately result to progress. Entrepreneurship, in the opinion of Schumpeter, is a strategy by which a person or set of people develops anything new, which may be a unique invention, a new technique of manufacturing, a new supply of tools, or a previously untapped market (Buame, 2012). In the words of Curran and Stanworth (1989), stated that Schumpeter's view, industrialism as the process of developing a new products and services that stands out from the competition. In the opinion of Betta et al., (2010), they views enterprise as becoming creative, and hence these creative inclinations originate from the entrepreneur, or the individual who is engaging in business intention". They also emphasized the advantages that inventive drives bring, such as product innovation or uniqueness, which renders older items outdated.

Unlike Schumpeter, Kirzner sees an entrepreneur as someone who creates market awareness meeting people needs and providing current product in a dynamic way via utilization of organizational resources and structure (De Jong & Marsili, 2011). Zimmerer et al., (2008), in a similar vein to Kirzner, defined it as the process of finding immense potential and coordinating essential resources in order to achieve profit and growth in the face of volatility in the market. This schooler thinks that entrepreneurship is about grasping market instabilities and prospects and utilizing these for profit, according to (Roininen & Ylinenpaa 2009). As a result, I agree with Kirzner's argument that entrepreneurship is defined as awareness of creative avenues (Kirzner, 1973, 1996). He was quick to point out, however, that having specific details enables individuals to see great possibilities, that is reliant, to some part, on the sharing of data in society (Kirzner, 1973).

Most modern meaning of entrepreneurship, as previously noted, are minor variants of Schumpeter and Kirzner's idea. Casson (1982), for example, characterized an entrepreneur as somebody who concentrates in creating judgement choices about the coordination and distribution of limited funds. In the words of Hebert and Link (1987), they see an entrepreneur as someone who is renowned by being answerable in terms of creating critical policies that affect the placement, structure, and use of goods, assets, and companies. Also, Casson (1982) noted that it's important to notice that these two meaning place a strong focus on critical decisions, which refers to the ability to identify and decide things in stressful situations. Moreover, enterprises are a means of providing quality product via the identification, appraisal, and identification of openings through the organization of previously unorganized activities, markets, and raw materials (Shame & Venkataraman). According to Buame (2012), enterprise is a creative activity in which a potential person or individual recognizes and utilized the chance (whether business or innovation) by arranging available funds to

turn the possibilities to feasible and tangible things. He went on to say that by providing value to these possible solutions with time, attention, funds, or talents, the businessman is now a risk taker and reaps the benefits of his hard work. Stevenson (2004) defined it further narrowly, emphasizing investigation above resource exploitation.

Many have proposed working meanings with appropriate schools of thought in an attempt to broaden the meaning of entrepreneurship. Gedeon (2010), for example, established a standard of entrepreneurship: Creative mindset dynamic theory; functioning as a leader traits theory; dynamic awareness that involves managing a micro firm risk theory or launching a new company, he explained (Behavioral School). It might involve finding possibilities to bring the market closer to balance (Austrian School) or generating instability via creative destruction. It can be done on your own, in a group, or within a firm. It entails beginning from scratch and building new ideals in the realms of enterprise, moral attitudes, government, and academia.

The Worldwide Organisation for Economic Cooperation and Development (OECD) elucidate on the concept of enterprise and the ownership. The earlier defined enterprise as the effort of a person or set of people, or an existing company to start a new venture or enlarge the one currently on ground" (GEM, 2000). Entrepreneurs, according to the aforementioned, are problem solvers that produce, disseminate, and utilize creative ideas by recognizing likely profitable prospects, utilizing effective capitals, and uniquely carrying all hazard involved in the course (OECD, 1998, p. 12).

The aforementioned meanings show that there is a tight relationship involving enterprise and the businessman, and that the two terms are sometimes used simultaneously. According to Bruyat and Julien (2001), enterprise is more about the transitional phase and the development of new value, which leads to the emergence of the businessman. Likewise, Buame (2012) saw entrepreneurs as decision makers who become so through a discovery and investigation procedure that he alluded to as entrepreneurship. As a result, these interpretations often presented entrepreneurship as an operation, with the entrepreneur as the one who carries out the operation. As a result of these descriptions, business can be described as the capability to discover unexpected opportunities within or around an enterprise and turn them into lucrative initiatives with the necessary resources, frequently in the midst of unpredictability.

### **Entrepreneurship and Small and Medium Enterprises**

The focus of the research is on Nigerian entrepreneurship and small and medium-sized businesses. In the words of Covin and Miller,( 2014) ; Li *et al.*, (2005) and Wiklund and Shepherd, (2003), sees enterprise as more important in today's complex global market for achieving a long-term market edge. Micro businesses are facing fierce competition from around the world as a result of industrialization. When you add in the evolving complexity of customers around the world, it's clear that SMEs will struggle to sustain and improve their productivity over time unless they can vigorously achieve these constraints. In the views of Javalgi and Todd (2011); Moreno and Casillas (2008); Keh *et al.*, (2007) and Krueger (2000) stated that SMEs, in emerging economies, are expected to promote an innovative thinking in order to classify risks and prospects in the business's surroundings in order to ensure that the enterprise will remain to take place in the future. According to Tang and Hull, (2012); Gomez-Mejia *et al.*, (2007) and Brown *et al.*, (2001), revealed that small business management researchers have traditionally linked good growth to a company's entrepreneurial conduct. In the opinion of Covin and Slevin (1991) and Knight (2000), they stated that enterprises with innovation strategies are more able to outdo their non-entrepreneurial equals in terms of results and ability to discover and grab opportunities.

In the opinion of Runyan *et al.*, ( 2011); Raunch *et al.*, (2009); Tang *et al.*, (2008); Covin *et al.*, (2006) and Kreiser *et al.*, (2002) stated that over the last twenty years, the study of entrepreneurship as a field has exploded. In the strategy and entrepreneurship literature, the concept of business positioning (EO) has become the most extensively used degree of commercial actions or inclination over these times.

### **Entrepreneurial Orientation**

Many researchers have defined the concept of EO in different ways. Miller (1983) became the initial researcher to define EO as an orientation toward strategy encompassing distinctive entrepreneurship features of



deciding attitudes, techniques, and processes. Lumpkin and Dess (1996) improved the definition by arguing that entrepreneurship orientation (EO) evaluates the degree to which "the highest executives have a propensity to take on risk associated with business embrace innovative thinking and change as a way of building an edge over others within the company and contend strongly against rival firms. As a result, a business is entrepreneurially focused if it has the willingness to undertake risks, be inventive, and aggressive in its operations.

Although several researchers have supported the definitions of EO that is comparable to the one given by Miller and Covin in 1983 and 1989 respectively, some other scholars have defined it in a different way. The main departures from Miller's (1983) and Covin and Slevin's (1989, 1991) categorization is divided into two sections: the expansion or condensing of the term and its utilization in various situations (George & Marino, 2011). Merz and Sauber (1995) and Knight (1997), for example, omitted the use of risk and concentrated on innovativeness and a proactive approach, reducing the basic design of EO. It is well known that several nations have long established frameworks to enhance apprenticeship training in the informal sector. Informal apprenticeship is a significant training system in many urban and rural informal economies (ILO, 2011). It is based on a training agreement between an apprentice and a master Craftsperson. The process of acquiring new, useful skills from an experienced expert is known as apprenticeship, and it is seen as a means to combine theoretical and practical knowledge (Brockmann et al., 2010). Between one and four years, the master craftsperson agrees to instruct the apprentice in all the skills necessary for the profession, and the trainee agrees to actively participate in the company's operations. Everyone with a stake in the informal apprenticeship system must make a concerted effort to solve the persistent barriers impeding the system's expansion and development within an organization.

According to George and Marino (2011), When there is no universal agreement or disagreement regarding the precise meaning of a construct, it's more difficult to acquire or deepen knowledge, and this is the case with the EO construct. Researchers do not agree on the interconnections of the EO construct (Dess, Lumpkin, and McGee, 1999; Lumpkin and Dess, 1996), the nature of EO components (Morris and Paul, 1987), the theoretical connection among the concept itself and its antecedent and subsequent concepts (George, 2011), and of dimensions of EO. (Knight, 1997; Lumpkin and Dess, 1996; Zahra, 1993) and the explanation of the concept (Covin & Lumpkin, 2011).

Despite these discrepancies in literature, the study adopted the EO construct proposed by Lumpkin and Dess (1996) given that the concept is not context specific, and this research considers it suitable to investigate the concept's multifaceted nature. Furthermore, some investigations have embraced framework suggested by Covin and Slevin (1989) (see: Quayle & Acheampong 2013; Madichie et al., 2013).

According to Miller (1983), numerous elements as predictors of entrepreneurship must be contextualized based on the type of firm that entrepreneurship is investigated in relation to. The entrepreneurial orientation dimensions of innovativeness, proactiveness, and risk-taking propensity, competitive aggressiveness and autonomy shall be discussed next.

## **Innovativeness**

Innovativeness refers to ability of a business firms to be creative, innovative and carry out research that yield to discovery of new business ideas. The ability to innovate is a fundamental component of pursuing possibilities and an essential component of an entrepreneurial mindset (Moreno & Casillas, 2008).

Innovativeness should be included as a system of business orientation according to Lumpkin and Dess (1996) because it "represents a crucial mechanism via which organizations pursue new opportunities.

There are two types of innovation, according to Lumpkin and Dess (1996): product market innovation and technical innovation. Despite considerable overlap in reality, the most successful organization of inventions is based on features of invention/market invention and scientific invention. From a willingness to try new discoveries to a strong obligation to invent, innovation is a spectrum (Madichie et al., 2013).

In businesses, several indicators of innovativeness may be, such as capitals allocated to investigation and growth, as well as actions such as the figure of new invention or service launches and the frequency with which modifications are made (Aminu, 2016). Innovation has been operationalized as a study variable using metrics for example the figure of novel invention or product overviews and variations in service according to Aminu (2016). This latter phrase is employed in the context of SMEs to denote a measure of their innovativeness.

### **Proactiveness**

Proactiveness is linked to creativity and first-mover benefit, as well as taking action by recognizing and exploiting new opportunities. (Arisi-Nwugballa & Onyeizugbe, 2016). Making the right decision at the right time is very essential for business person since it means a medium to be creative and support invention of fresh ideas similar to the dictionary definition of acting in anticipation of future problems, needs, or changes. In this regard, proactiveness is examined using a variety of conceptions, with the ramifications of various interpretations based on predicted associations explained.

In the words of Arisi-Nwugballa & Onyeizugbe, (2016), proactiveness is related with foremost, not resulting, an organization that think ahead of time have the desire and insight to grab fresh business openings in market place. However, in the word of Cahill (1996), being the first to enter a market does not ensure a long-term competitive pioneer advantage, and is connected with mixed results. Increased profits may not always be related to higher levels of proactiveness, according to Cahill. This depends on whether proactiveness as a component of entrepreneurial orientation is suitable in this specific setting (Bchini, 2015). Lumpkins and Dress (1996) propose a continuum model of proactiveness, with the opposing exciting of proactiveness being characterized as passiveness rather than reactivity. Passiveness is defined as indifference or an unwillingness to seize chances or lead in the marketplace. Since a less business, less positive person is less committed to the increase of market share, passiveness is likely to be connected with lower gross earnings. As a result, the growth of market share is regarded as a sign of initiative in this work. Following this logic, proactiveness will be positively and significantly related to sales growth to some extent.

### **Risk Taking**

Risk-taking management styles are a sign of a business that is entrepreneurial (DeepaBabu & Mandel, 2016). The owner-manager is the unit of study in terms of indicating business positioning in SMEs, and intellectual positioning in relations of business behaviour is examined with respect to risk taking propensity. Entrepreneurs may be more likely than non-entrepreneurs to have a cognitive orientation that minimizes remorse and contemplation (Baron & Ward, 2004). According to Brockhaus (1980), as cited in Baron (2007), the theoretical models of need for achievement and perceived control both hypothetically enriched the business person with an acceptable level of hazard endurance, but the seeming hazard from the perception of a positive person may be lower than the perceived hazard by others. According to Brockhaus (1980), the theoretical models of business management and the quest for success were connected with a reasonable ability to take risk and organization control and the strong desire to succeed business wise were linked to increased individual performance. However, according to Lumpkin and Dess (1996), business person idea such as the ability to make the most of market openings varies on their impact on productivity depending on the precise circumstances.

Future study, in the words of Ibrahim and Mahmood (2016), might demonstrate that taking risk and independence is expected in all business organization while making right decision, creativity and making the most of business openings is expected of organisations who has future plans. This could imply that, in the Nigerian small and medium-sized firm context, some minimal level of influence with respect to the risk taking would be expected.

A concern discovered by past study, in the words of Ibrahim and Mahmood (2016), is that entrepreneurs simply do not notice the risk that many do, or, conversely, they consider non-entrepreneurial activity to be much more-risky. Risk can be found in all behaviors, ranging from low-risk activities like saving in a bank account to high-risk activities like using significant fiscal influence (Bchini, 2015). Good financial resources,

on the other hand, may not be enough to qualify a company as entrepreneurial in terms of risk taking (Miller, 1983). Risk is also felt when entering new markets with new products or expanding into new technology; risk is, in fact, an integral component of entrepreneurship (Bchini, 2015).

Disparities in the usage of vocabulary such as probability tendency, risk sensitivities, risk priority, and varied conceptions of risk are shown when looking at how risk is conceptualized in study (Aminu, 2016). In the words of Lumpkin and Dess (1996), risk-taking inclination is a behavioral component of a business idea along which prospect is sought. Risk taking propensity has been defined as a means of actualizing business plans despite challenges and obstacles the business may face in the competitive market but determine the end from the beginning is ideal for every organization (Brockhaus 1980). Lumpkin and Dess (1996) connect the origins of individual risk-taking to early entrepreneurial literature that saw entrepreneurs as self-employed persons, which is pertinent to SME owner-managers.

Researchers have been unable to discover consistent patterns when analyzing risk taking linked with entrepreneurship. In the words of Brockhaus (1980), the ability to take risk and possibility of business failure are two aspects of entrepreneurial risk, with the first being researchable across persons due to diversity in business accomplishment and catastrophe probabilities. As a result, researchers can use the general risk-taking inclination to make comparisons in their research (Brockhaus, 1980).

One of the five traits that make up an entrepreneurial orientation is ability to take risk which is regarded to signify one of the five dynamics that make up the complexity inherent in entrepreneurial behavior expression (Stewart et al., 2001). In the words of Forlani and Mullins (2000), risk insights, environmental consequences, and the characteristics of individual entrepreneurs all influence entrepreneurial decisions related to start-ups. In the words of Forlani and Mullins (2000), taking risk awareness is determined by financing heights, result changeability, and possible disappointment. In this scenario, risk perception is assumed to be linked to funding levels or early investment as a component of risk-taking tendency. Forlani and Mullins (2000) claim that there is a significant association among taking-risk and capital savings as analyst of taking-risk.

Hazard perception and policymaking are thought to be independent reasoning procedures, a viewpoint that has been challenged is linked to several findings on the end users perception on goods and services and the choice they make (Mullins & Forlani, 2000). According to Baron, entrepreneurs may be linked to cognitive errors like excessive optimism and control illusions are two positive emotional states that can influence preferences (1999). Entrepreneurs, according to Forlani and Mullins (2000), are biased while making risky decisions, that may result in acts that increase the already difficult chances for business achievement. When an organization venture into taking risk in business such organization must be optimistic about the outcome without doubt because when the organization is not focused it could lead to business loss.

### **Competitive Aggressiveness**

Competitive aggressiveness is very similar to pro-activeness and it is therefore necessary to clarify the difference between these two dimensions. Competitive aggressiveness describes to the way a company interacts with its rivals as well as how it reacts to market demand. It can be viewed as market participants fighting for demand (Chang, Lin, & Chen, 2007). The motivation for competitive aggression is thus to surpass competitors in the market and to be ready for any competition (Antonic & Hisrich, 2003). Proactivity, on the other hand, is concerned with satisfying demand.

Competitive aggressiveness also reflects the willingness to be unconventional rather than to rely on traditional methods of competing (Knight, 1997). This dimension is of importance to guide the entrepreneurial business to get a hold of and to retain the competitive advantage in the market. The dimensions should be utilised to create and constantly improve company strategies to achieve organisational goals.

Knight (1997) explains in his research that the dimensions competitive aggressiveness, risk-taking and pro-activeness should be included in the same dimension when measuring levels of entrepreneurial orientation. The five dimensions of entrepreneurial orientation is the guide to organisational success and entrepreneurial excellence if effectively applied. Entrepreneurs are the drivers of the entrepreneurial orientation construct but it

is recommended that employees are encouraged to also participate as individuals in some of the dimensions to ultimately reap as much benefit as possible on all organisational levels.

### **Autonomy**

Depending on the business structure and the management style the principle autonomy is mostly applied by the decision maker. This will in most cases be the entrepreneur or the manager. Casillas and Morena (2010) state that autonomy constitutes one of the bases for innovative and entrepreneurial behaviour. Lumpkin and Dess (1996) describe autonomy as a readiness and capacity to operate autonomously when acting on an opportunity or embracing an organizational problem. Business owners and managers have the authority to make decisions, thus they can only rely on themselves to secure an organization's sustainability.

Some managers delegate autonomy to a lower level in the business. This creates autonomous leaders and very often results in improved decision making. In other countries delegating authority to blue collar workers is very common (Dawson, 2012). The term autonomy further refers to an action of an individual or a team creating new ideas and visions and carrying it through to completion. Pursuing an opportunity with a great deal of determination is another way to define the term autonomy. Enterprise related factors with negative results such as a lack of access to resources may change the course of ventures but autonomy will not be distinguished by these factors (Lumpkin & Dess, 1996).

Dawson (2012) explains that organizations can be more adaptable and productive if owners offer managers greater autonomy while also implementing control and formalization. It is advisable that the owners of South African SMEs also delegate authority in the choice making process to their managers in an organisation with the suitable supervision and control from management. Engaging employees by making them autonomous managers can improve employee fulfilment and business growth. This process nonetheless, should be supervised to ensure satisfactory outcome and to eliminate undesired outcomes.

### **Entrepreneurial Orientation and Business Performance**

In the words of Littunen and Tohmo, (2003); Delmar, Davidsson and Gartner, (2003) and Brown, Davidsson and Wiklund, (2001), curiosity is revealed as greater business comprehension in productivity. According to Littunen and Tohmo, (2003) and Birch, Haggerty and Parsons (1994), the rising worry that progress is the slightest examined facet of productivity within the scope of organization can be likened to the job-creating tendencies of growing organizations and also, Rumelt, (1991) and Porter, (1985), stated the increasing worry that development is the least observed facet of productivity in the scope of organization. According to Moreno and Casillas (2008), despite academics' optimistic efforts to improve the dependability of the progress concept, the construct's validity remains in doubt. In the words of Dobbs and Hamilton (2007), where there is a lack of a uniting concept, resulting in the strain in accumulating knowledge, particularly with the inflexible vantage point.

In the opinion of Brown et al., (2001), they stated that business organization as organizations with a plan focused on creation and development via their ability to assume applicable risks. Similarly, Covin and Slevin (1991), believes that a firm's growth orientation is an essential features of its business management. Growth perspective is linked to firm entrepreneurial culture by Stevenson and Jarillo (1990), whereas in the opinion of Stewart and Roth (2001), they refer to micro commercial entrepreneurs as development focused on. In the words of Covin and Slevin, 1991 and Borch et al., (1999), growth is inextricably linked to features of entrepreneurial attitude or denotes a distinct aspect of entrepreneurial action. In the words of Stevenson and Jarilo, (1990); and Brown et al., (2001), they stated that the significant growth is frequently related with a company's entrepreneurial approach, which encompasses innovativeness, proactiveness, independence, risk-taking, and aggressiveness in the marketplace.

As previously stated, scholars have widely accepted the link between growth and entrepreneurship, but the link among business approach and the growth component of corporate productivity has been considered surprisingly little in the literature (Soininen, Martikainen, Puumalainen, and Kylaheiko, 2012). According to Wiklund and Shepherd, (2005) and Covin and Slevin (1989), they stated that business orientation ignores the



complexity of the productivity notion by combining performance metrics (Moreno and Casillas, 2008). Scholars such as Madsen, (2007); Runyan et al., (2008); Wiklund and Shepherd, (2003) viewed evaluation metrics, such as managers' subjective perceptions of the firm's profitability, growth, and market share, have been used in several studies to analyse corporate performance. Several researches have used financial reports from businesses to evaluate both the development and productivity accomplishments (Westerberg, 2008; Tajudun et al., 2014).

In contrast to earlier academics, Lumpkin and Dess (1996) believe that organization entrepreneurialism does not signify entrepreneurship, and hence define entrepreneurship as a fresh entry. New entrants with new or existing goods or services may enter new or current marketplaces. They argued that business idea symbolizes what enterprise requires, whereas business person direction depicts how new entry is accomplished, with EO distinct as the procedures, principles and planned actions that is central to discoveries (Nystrom and Freeman, 1998). According to Shepherd and Wiklund 2009, multitude of factors, such as increased revenue, assets, market share, profitability, and employment, can be used to measure a firm performance. Scholars such as Janssen, (2009); Demar, (1997); Weinzimmer, Nystrom and Freeman, (1998); and Davidsson (1991), highlight rise in personnel rate and increase in sales as gauges for micro and macro-organisation. Furthermore, sales and employment growth are effective indicators of equally long term and short term variations in an organisation in the words of (Zhou & Wit, 2009). Gürbüz and Aykol (2009) also stated that increases in sales are frequently utilized in measuring growth since they are easily remembered by SME owners/managers. Nonetheless, Delmar has been adamantly opposed to the measurement of single growth indices (1997). He contended that the environment and industrial background vary, and that these variances may have an impact on the various growth metrics.

As stated by Covin et al., (2006), EO efficacy system is that, prior to the recent normalization of commercialization; it was viewed more as a socialization process than a training one. According to authors like Boehm (2015), the apprenticeship system provided parents with an efficient way to pass on knowledge or skills to an adolescent directly from them or a master apprentice. Most of the time, the apprentice works for little to no pay while the master is compensated. While some apprentices are compensated for their training, others train at the expense of their ability to earn money from the jobs they perform. Other fortunate apprentices get free accommodation and lodging, some spending money, or sporadic incentives. Apprentices are occasionally allowed to sell the products they create in their leisure time using the tools and materials they discover in the workshop (ILO 2008). According to Abban and Quarshie (2013), apprenticeship training happens in stages. The procedure, according to the authors, starts with the connection between EO and business performance (Morino & Casilla, 2008).

## Theoretical Review

The following theories will be discussed; Entrepreneur Innovation theory, Economic theory, Resource Based View theory.

### Schumpeter's Entrepreneurship Theory

Joseph Schumpeter created the concept of enterprises innovation (1949). Entrepreneurs, he claims, assist in the economic growth process. Entrepreneurs are those who are imaginative, creative, and foresighted in their communities. An entrepreneur offers a new product or a new production technique, opens a new market, discovers a new supply of raw materials, or introduces a new organization into the firm, according to Schumpeter. He also stated that entrepreneurship is about blending resources in a new way such as introducing new products, new method of production, identify new source or source (s) of raw materials/inputs and setting a new standard either in the market or the industry that alters the equilibrium in the economic system.

An entrepreneur does not start a firm solely to improve their own lives. Rather, by their activities, they are able to stimulate the economy and society as a whole. Joseph Schumpeter, the theory's creator, claimed that an entrepreneur thrives through being inventive and foresighted. A new product is one of the innovative things that an entrepreneur performs. A new product is frequently introduced to remedy a societal problem or to make life easier. Another innovative aspect is when an entrepreneur offers a new production process in order to

attain growth and increased profitability. Notably, improved production procedures reduce production costs while increasing the quantity of commodities produced. When an entrepreneur creates a new market, he or she is also introducing new ideas. This is frequently done after identifying a growth opportunity or a hole in the economy. Entrepreneurs that are innovators also uncover new sources of raw materials and form new organizations. These entrepreneur's operations result in the development of jobs and the accessibility of commodities, hence benefiting the economy. Nonetheless, Schumpeter's entrepreneurs are primarily large-scale businessmen/women, as is prevalent in sophisticated economies. In developing countries, the most typical type of entrepreneur is one who must imitate rather than innovate in order to exist.

### **Economic theories of entrepreneurship**

One of the furthestmost imperative economic theories of entrepreneurship is economic theory. According to this view, the economy and entrepreneurship are intrinsically linked. Entrepreneurship and economic progress can only thrive in a favorable economic environment. As a result, when the economy is struggling, it can be difficult for entrepreneurs to build their businesses. Moreover, according to this theory, economic incentives such as industrial policy, taxation policies, financial and resource sources, investment opportunities, infrastructure availability, marketing opportunities, market information availability, and technology, among others, motivate entrepreneurs. As a result, an entrepreneur is a risk taker because he can never accurately predict how favorable future economic conditions would be.

### **Resource-based View**

Barney offered the resource-based viewpoint for the first time in 1991. The resource-based view's core premise is that organizations' resources and capacities can differ significantly, and that these differences can last a long time (Barney and Hesterly, 1996). A competitive advantage can be gained when a company's resources and competencies are appropriately pooled and used. The resource-based approach to organizational survival assumes that an organization in need of valuable, rare, unique, and well-organized resources and capabilities should look for an external supplier to fill the gap. As a result, the theory's most common use is in the business process's preparation phase, where it is used to define the decision-making that allows an organization to exist.

This study uses a resource-based viewpoint (Barney, 1991) to evaluate the extent to which entrepreneurial orientation dimensions have a role in boosting entrepreneurial performance in SMEs in Nigeria, as measured by the increase in sales and number of employees in SMEs in Nigeria

### **Empirical Review**

Entrepreneurial orientation (EO) is a substantial factor to a firm's performance, according to prior studies. Entrepreneurial stance is linked to organizational success, according to Covin and Slevin (1991). Entrepreneurial orientation was found to be positively connected to firm performance. Both conceptual and empirical studies (DeepaBabu & Manalel, 2016; Al Swidi & Mahmood, 2011) contributed to a reasonable body of data on the link between entrepreneurial orientation and business performance. However, according to Lumpkin and Dess (1996), the relationship between entrepreneurial approach and business success is context specific, meaning that it can alter independently in different business contexts. This indicates that each factor of entrepreneurial orientation has a varied impact on business performance.

Lumpkin and Dess (1996) looked at the impact of five dimensions of the entrepreneurial orientation model on business performance, including autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness, as well as the role of the environment and the Industry Life Cycle. Only two of the variables, pro-activeness and competitive aggressiveness, were explored further by Lumpkin and Dess (2001). Proactiveness was found to have a favorable link with performance in the study. Competitive aggressiveness, on the other hand, was found to be unrelated to performance. Rauch et al., (2004, 2009) looked at previous studies on the impact of entrepreneurial orientation (EO) on company performance in industrialized countries. There was a moderate positive link between EO indicators and performance, according to the findings.

Runyan et al., (2008) studied the impact of entrepreneurial orientation (EO) versus small business orientation (SBO) on macro business productivity in 267 small enterprises in the United States, as well as whether these affects are mitigated by longevity. Companies are classified as younger or older based on their age. Only EO forecasts productivity in the younger group, while only SBO forecasts productivity in the older group, suggesting that EO and SBO are separate constructs and that performance in both groups differs: In the younger group, only EO predicts performance, whereas in the older group, only SBO predicts performance. According to an assessment of related evidence, the majority of research solely used dimensionality or total EO to show a link between EO and corporate performance. Furthermore, rather than comparing each of the EO traits to each firm performance statistic, the majority of the research concentrated on EO and overall business success. As a result, the HDSL study add to the research findings by combining both the unidimensional and multidimensional components of EO with each component of enterprise productivity, as well as overall organizational productivity, in order to better comprehend the connection between EO and enterprise productivity”.

According to Madhoushi et al., (2011), entrepreneurial attitude affects SMEs' innovation performance both directly and indirectly through knowledge management. Gunawan *et al.*, (2013) came to the same conclusion as Madhoushi (2011), that there is a significant link between entrepreneurial orientation and innovative performance. Yang (2008) investigated how entrepreneurial orientation impact the performance of publicly traded companies and discovered that it has a direct effect on company performance. Furthermore, Covin et al., (2011) found that a high entrepreneurial orientation is linked to the creation of innovation, which has a good impact on performance.

In Algeria, Rochdi D., Khatijah O., and Muhammad A.S.A.H. (2017) did research on the Mediating Role of Innovation Effectiveness on the Relationship Between Entrepreneurial Orientation and Micro Business Productivity. The research findings discovered that E.O. has no meaningful impact on organisation productivity. Furthermore, the findings revealed that EO has a favorable and substantial impact on the effectiveness of Process innovation ( $t = 18.481$ ,  $p < 0.001$ ). Similarly, the effectiveness of procedure invention has an optimistic and substantial impact on organization productivity ( $t = 1.287$ ,  $p < 0.001$ ).

The effect of entrepreneurial orientation and entrepreneurial management on performance of firms was investigated by Elumah.,Shobayo and Akinleye (2016) using OLS, the overall modification clarified by their model as a complete was 11%,  $f(2, 130) = 5.571$ ,  $p < .005$ . This indicates that the result is statistically significant since the significant level is still within 0.005. It also means that entrepreneurial orientation and entrepreneurial management only accounts for about 11% of the total variation that can be explained and that 89% can't be explained and thus means that there are more other factors apart from entrepreneurial orientation and entrepreneurial management that do affects the growth of the firm under study. The entrepreneurial orientation scale was not statistically significant since the significant level (.945) is above 0.005. However, because the significant threshold was within 0.005, the combination of entrepreneurial orientation and entrepreneurial management scales is statistically significant. They came to the conclusion that entrepreneurial approach is important not just for small and medium-sized businesses' survival and growth, but also for giant corporations' profitability. Entrepreneurial orientation, management, and innovativeness all have a favorable impact on firm performance, according to their findings. A firm's proclivity for innovation, risk-taking, and proactive behavior has a direct correlation with its performance. Entrepreneurial enterprises will be more aggressive in gathering market knowledge in order to assess current market prospects.

The Impact of Entrepreneurial Orientation on Financial and Non-Financial Success Since the early 1980s, studies have established that entrepreneurial orientation has a considerable impact on corporate performance (Awang et al., 2009). Entrepreneurial orientation is a critical component of organizational success and leads to improved results. According to Rua et al., (2017); Lechner & Gudmundsson (2014) several empirical studies indicate a positive correlation between entrepreneurial orientation and performance. EO influences firm performance when firms strategically acquire, develop and leverage resources for opportunity exploitation in order to gain competitive advantage.

Many firms throughout the world, according to Aminu (2016), sees enterprise mentality as a vital component of their accomplishment and existence in modern competitive commercial setting. Independently, the

entrepreneurial oriented attributes of Innovativeness, Proactivity, and Risk-taking have a significant impact on SMEs financial success. Owner-managers of SMEs might consider basing their business strategies on such entrepreneurial postures in order to attain, maintain, and capitalize on their locations in both local and worldwide markets. Risk taking has a direct positive link with performance, according to Putni & Sauka (2019), which may be understood through the risk–return tradeoff, which is essential in financial economics theory. Because the relationship between risk taking and performance is conditional on the level of innovativeness, innovativeness contributes to performance by influencing the type of risk taken. Proactivity improves performance by having a beneficial impact on the level of risk taking.

In a study by Alarape (2014) on Entrepreneurial orientation and growth performance of SMEs in Southwest Nigeria using a sample size of 279 owners/managers of SMEs, the findings revealed that most SMEs managers/owners in Southwest displayed moderate E.O. They are proactive, innovative and risk taking. However, the risk taking orientation of the firms is significantly higher than other dimensional variables and lowest in innovativeness which is a major dimensional variable determining E.O. It was also revealed that E.O. has a significant effect on firm performance but the direction of the relationship was not static. The effect was positive on firms that exhibit growth in assets while it was negative in firms that have growth decline.

Dzulkarnain, Abdullah and Shuhymee (2014) conducted a study on Linking Entrepreneurial Orientation and Business Performance: The Investigation of Cooperative Firms' Performance in Peninsular Malaysia's Northern Region. In the domains of entrepreneurship and strategy, the concept of entrepreneurial orientation (EO) and its impact on business performance has gotten a lot of attention. A survey was conducted to assess the influence of five constructs of EO, including innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness toward the firm's business performance to provide additional knowledge on this subject. A total of 104 cooperatives enterprises in Peninsular Malaysia's northern region were assessed at the company level. Only the constructs of innovativeness and proactiveness demonstrated a substantial and positive link with the firm's business performance, according to multiple regression analysis. Risk-taking, autonomy, and competitive aggressiveness, on the other hand, have no meaningful association with the firm's business performance. These findings are important for a better understanding of entrepreneurial methods and their significance in increasing cooperative business performance.

Aloulou (2018) conducted a study titled research on the impact of learning orientation and organisation size on enterprise orientation - organisation productivity connection in Saudi context" to investigate the direct impact of entrepreneurial orientation (EO) on Learning orientation (LO), with the latter serving as a mediating variable in the relationship between EO and firm performance (FP). The paper also intends to investigate the role of firm size as a potential moderator variable in the enterprise idea, organization productivity and understanding organisation productivity interactions. The study's hypotheses were tested using hierarchical regression analysis using a sample of 230 Saudi companies. The findings demonstrated a substantial association between entrepreneurial orientation and learning orientation, as well as the role of learning orientation in moderating the relationship between entrepreneurial orientation and company performance. Similarly, the findings show that only the LO-firm performance connection is considerably moderated by firm size. However, the results show that the interaction variable between entrepreneurial inclination and company size has a negative but non-significant impact on business performance.

Aloulou (2018) conducted a study title Examining entrepreneurial orientation's dimensions-performance relationship in Saudi family businesses to contribute to the literature on family firms and entrepreneurship by looking at how family involvement in management (FIM) moderates the relationship between entrepreneurial orientation (EO) and family firm performance (FFP) . The study used a sample of 175 family businesses in Saudi Arabia to investigate the assumptions given using hierarchical linear regression. The data demonstrated a strong positive and substantial relationship between proactiveness and FIM and FFP, but no such link between innovativeness and risk-taking and FFP. Alarifi et al. (2019) conducted a study titled "The Manifestation of Entrepreneurial Orientation in the Social Entrepreneurship Context" to further theorize entrepreneurial orientation (EO) "in the social entrepreneurship context by introducing firm performance as a construct for examining the EO of social enterprises (SEs). Based on EO and firm performance research that suggest EO is linked to improved corporate performance, this study claims that EO in SEs is positively associated with



organizational success. This study looks at 303 social companies in Saudi Arabia and offers three hypotheses on the relationship between entrepreneurial orientation (EO) and the performance of social entrepreneurs' businesses. Innovativeness and proactiveness, but not risk-taking, are positively associated with company performance, according to the findings.

Albasri (2020) conducted research titled Entrepreneurial orientation, dynamic capabilities, and SMEs performance in Saudi Arabia to investigate the role of entrepreneurial orientation in conjunction with three dynamic capabilities in enhancing the performance of Saudi Arabia's small and medium-sized enterprises (SMEs). SEM and the Warp PLS 6 statistical tool were used to elicit causal relationships between the constructs. The results show that having an entrepreneurial mindset, discovering, exploiting, and reconfiguring capacities all have a favorable impact on performance. According to the survey, SMEs must prioritize their investments in resources and talents in order to get a competitive advantage. The empirical findings will be of interest to SMEs' managers and practitioners, as they will assist them in making the most use of their resources and competencies.

Ali et al., (2020) conducted a study titled Effect of entrepreneurial orientation, market orientation, and total quality management on performance: Evidence from Saudi SMEs" to investigate the joint effect of entrepreneurial orientation (EO), market orientation (MO), total quality management (TQM), and organizational performance in the Kingdom of Saudi Arabia's (KSA) small and medium enterprise (SMME) sector. To obtain the necessary data for assessing the study's postulated model, 393 questionnaires were distributed to and collected from owners/managers of SMEs in Saudi Arabia. The research data was analyzed using partial least squares structural equation modeling. The findings show that EO, MO, and TQM are all favorably and significantly associated with SMEs' organizational performance.

## METHODOLOGY

This study examined the entrepreneurial orientation and performance of SMEs in southwestern Nigeria. The Southwest is one of the six geo-political zones of Nigeria which comprised of six states, namely, Ekiti, Ondo, Osun, Oyo, Ogun and Lagos States.

The study employed a descriptive and cross-sectional research plan suitable to address the problem specifically stated. This type of design is appropriate because it measures some variables at once with respondents drawn from the target population. Data for the study were obtained using questionnaires administered to respondents in the selected SMEs in the Southwest Nigeria. During the course of the research study, both quantitative and qualitative research methodologies were used as the research method. The quantitative technique was used to analyze and present data, while the qualitative method was used to evaluate the results of the analyses and form accurate conclusions on the problem under consideration in the questionnaire.

This study mainly employs primary data in an attempt to gather the data for this research study. A structured questionnaire approach was employed to collect data. To ensure that respondents have the flexibility to react truthfully and responsively, they were given the choice of responding immediately or later, allowing them to ponder on the questions addressed and respond at their most convenient time and convictions. Those who have difficulty understanding the questions were carefully led to ensure that the answers they provided reflect their real perception of the topic at hand. All of these efforts were made to assure the correctness and authenticity of responses, as well as to ensure that the inferences drawn are founded on facts on the ground rather than simple guesses.

The population of the study comprised all SMEs across the six states in the southwest purposively selected. The population of the study entails 26,744 SMEs in the six states. From the total of 26,744 SMEs, the sample size is 394 respondents. This was derived through Taro Yamani (1967) formula for sample size determination given as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{26744}{1 + 26744 * 0.05^2} = 394$$

Where

n = sample size

N = the entire population

e = proportion of sampling error in a given situation, in this case (0.05)

Multi stage sampling technique was used for the study. At the first stage, stratified random sampling technique was used to select Lagos, Oyo and Osun states as states with the highest number of SMEs in South western Nigeria (NBS-SMEDAN, 2021 Report). At the second stage, purposive sampling technique was used to select 7 sectors based on the proliferations of SMEs as stated in the NBS -SMEDAN National Survey of Micro Small & Medium Enterprises (2021). These include: Agriculture, Manufacturing, Building and Constructions, Trading, Hotel/ Restaurant, Estate/Renting and Education. At the third stage, the 394 respondents were selected from the chosen sectors within the States using the proportional sampling technique as the sample size.

### Model Specification

A varied reversion model is created using SMEP as the dependent variable and EO as the independent variable to analyze the relationship between entrepreneurial orientation (EO) and SME performance (SMEP). The equations that make up the model are as follows:

$$SMEP = \beta_0 + \beta_1 INN + \beta_2 PRO + \beta_3 RTK + \beta_4 CAG + \beta_5 AUT + \varepsilon \dots \dots \dots (3.1)$$

Where

SMEP = SMEs Performance, INN = Innovativeness, PRO = Pro-activeness, RTK = Risk taking, CAG= Competitive Aggressiveness, AUT= Autonomy,  $\beta_0$  = Intercept term,  $\beta_1$  IN +  $\beta_2 \dots \beta_5$  = The co efficient to be estimated,  $\varepsilon$  = The error term

### DATA ANALYSIS, INTERPRETATION AND DISCUSSION

This chapter presented the general characteristics of the respondents obtained from the identified SMEs for the study. It further provided results of the study's objective and the results obtained from the data analysis. A total of 394 copies of questionnaire were administered to the respondents which were the owners and managers of SMEs in the South west Nigeria. From the administered copies, 373 were returned which represented 94.7% of the total administered. The data collected were subjected to data cleaning procedure which removed 7 cases due to missing data and unengaged responses. Therefore, the study used 366 certified copies of the questionnaire which represented 92.9% of the returned questionnaire. The collected, usable questionnaire served as the foundation for the data that was presented, analysed and interpreted.

#### Socio - Demographic Characteristics of Respondents

The analysis in Table 1 shows the social demo-graphic characteristics of the respondents for this study. The distribution of respondents to the questionnaires were presented according to the demographic characteristics such as gender, marital status, age, education size of firm, form of business, current designation, years of experience, training course attended and age of business.

As presented in the table, the results should showed that 48.4% and 51.6% of the respondents were males and females respectively. These findings imply that the responses gathered were representative of both gender. However, the results reflected the prevalence of female respondents in the selected states. This further shows that there is no gender bias with respect to venture start up or managing an SMEs.

Furthermore, the study showed that 20.8% of the owners/owner manager of the SMEs were below 25years, while 42.9% and 18.0% were 25 – 30 years and 31 – 34 years respectively. Moreover, 14.5% and 3.8 % were 35 – 40 and 40 – above respectively. There imply that majority of the respondents were between 25 – 30 years while owners manager/general manager above 40 years represent 3.8% of the total respondents. The implication of this that, about 96.2%, 20.8%, 42.9%, 18.0% and 14.5% of the respondents were in their youthful age. In addition, the study revealed that 51.6% of the respondents were married which 48.4% were single. This implies that majority of the respondents were married and are holding additional responsibilities as married people.

The study further revealed from the results as shown in the table, that 3.6% had no formal education, 10.9% had first school leaving certificate, followed by 6.0% (22) with O’level as highest education, 32.2% had ND/NCE, 38.0% had BSc/HND while 9.3% had completed their post graduate degree. The result shows the majority of the respondents have First Degree, ND/NCE and postgraduate degree respectively. This shown that most of the employees, about 79.5% are highly skilled and have good educational background. This implies that responses were got from respondents with adequate educational profile and therefore safe to rely on their judgement on data.

Furthermore, the table also reveals that 62.8% of the respondents are Yoruba, 26% Igbo, 7.9% Hausa, 0.3% Igala, 1.4% Edo, 0.5% Tiv, 0.5% (2) Ogoja, 0.3% Urhobo, and 0.3% Igbira which implies the majority of the respondents are Yoruba. This might be due to location of the study (SW) which are Yoruba states.

On size of the firms (number of employees) 91.8% and 8.2% were small and medium sizes respectively. This implies majority of the firm were small businesses. The study further shows from the table that 52.7% of the firms were sole proprietorship while 25.1% and 22.1% were partnership and limited liability respectively. This implies majority (52.7%) of the firms were sole proprietorship. Distribution of respondents by designation shows 63.4% and 36.6% were owner manager and General Manager respectively. This implies that majority 63.4% are owner managers.

Table 1: Demographic Profile of the Respondents

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	177	48.4
Female	189	51.6
Total	366	100.0
<b>Age (years)</b>		
18-24	76	20.8
25-30	157	42.9
31-34	66	18.0
35-40	53	14.5
Above 40	14	3.8
Total	366	100.0
<b>Marital Status</b>		
Married	189	51.6
Single	177	48.4
Total	366	100.0

<b>Educational Background</b>		
No Education	18	3.6
First School leaving Certificate	40	10.9
O'Level	22	6.0
ND/NCE	118	32.2
BSc./HND	139	38.8
Post Graduate	34	9.3
Total	366	100.0
<b>Ethnic Group</b>		
Yoruba	230	62.8
Igbo	95	26.0
Hausa	29	7.9
Igala	1	0.3
Edo	5	1.4
Tiv	2	0.5
Ogoja	2	0.5
Urhobo	1	0.3
Igbira	1	0.3
Total	366	100
<b>Size of Firm</b>		
Small	336	91.8
Medium	30	8.2
Total	366	100
<b>Form of Business</b>		
Sole proprietorship	193	52.7
Partnership	92	25.1
Limited Liability	81	22.1
Total	366	100
<b>Designation</b>		
Owner manager	232	63.4
General manager	134	36.6
Total	366	100.0

Source: Field Survey, 2025

### Effect of Entrepreneurial Orientation on SMEs Performance in South West Nigeria

This section presents the results of the regression test conducted to examine the impact of EO on SMEs performance.

To understand the association linking the dependent and independent variables, a multiple regression analysis was employed. Hence a regression test was carried out to investigate the effect the independent variable (Entrepreneurial Orientation) has on the dependent variable (SME performance).

The results of the study output presented in table 2 show that all the evaluation techniques are satisfactory. The goodness of fit of a regression model is assessed by R-squared and Adjusted R- squared. The R- squared shows the variability in the dependent variable explained by the independent variable. As presented in the



table, the R-squared is 0.498. This indicates that about 49.8% of the variance in the dependent variable SME performance (SMEP) are explained by the independent variable (INN, PRO, RTK, AUT, CAG). Furthermore, the F-statistics of the 71.42 is highly significant at 1% significant level with a P value of 0.000. This therefore, confirms that the model has a good fit. The result from the table, revealed that apart from pro-activeness (PRO) and autonomy (AUT) all other components of entrepreneurial orientation (INN, CAG, RTK) are statistically significant with SMEs performance ( $R^2 = 0.4980$ ;  $p < 0.05$ ). This suggests that although pro-activeness (PRO) autonomy (AUT) had positive relationship with SMEs performance, their relationship are not significant. This means they do not have important influence on SMEs performance in south western Nigeria.

However, innovativeness ( $t = 2.516$ ,  $p < 0.05$ ), competitive aggressiveness ( $t = 5.307$ ,  $p < 0.05$ ) and risk taking ( $t = 3.846$ ,  $p < 0.05$ ) had positive significant relationship with SMEs performance. This means they all had important influence on the performance of SMEs in Southwestern Nigeria.

From the result in the Table 2, pro-activeness had positive but no significant relationship with SMEs performance ( $t=1.031$ ,  $p > 0.05$ ) this suggests that pro-activeness is not an important factor that influences the performance of small and medium enterprise in South west Nigeria. The result supports previous studies by Alam and Sayuti (2011); Alegre and Chiva (2013); who in their studies showed that pro-activeness was positively related to SMEs performance. However, the result was in contrast to the study by Kocak, Abubakar and Ismail (2007) whose finding revealed that pro-activeness had a significant relationship with SMEs performance.

The Table also depicts that autonomy had positive but no significant relationship with the performance of SMEs in the south west Nigeria. ( $t=0.027$ ,  $p > 0.05$ ) this means that autonomy is not critical to SMEs performance. The findings is therefore consistent with Adeyemo and Salau (2017), Okoye and Ezeuduji (2018) who found a positive relationship between autonomy and SMEs performance. The study however is in contrast to Adegbite and Ismail (2019) who found that autonomy was a significant predictor of SMEs performance.

On the relationship between risk taking and SMEs performance, the results revealed that risk taking was positively and significantly related with SMEs performance. ( $t = 3.846$ ,  $p < 0.05$ ). This means that SMEs in south west Nigeria understand risk taking and how it works. They are also daring. This implies that SMEs who are risk takers has a tendency to perform better than those who are risk averse. The findings agreed with Dzansi and Amponsah-Tawian (2018); Nwankwo and Okafor (2020) who found in their studies that there is a positive and significant relationship between risk taking and SMEs performance.

In respect of competitive aggressiveness contribution to the performance of small and medium enterprise in Southwestern Nigeria, the results revealed a significant positive relationship ( $t = 5.307$ ,  $p < 0.05$ ) the relationship is highly significant at 1% confidence level ( $p < 0.01$ ). This implies that small and medium enterprise who embrace a confident, offensive position to make the best use of the possibility of utilising prospective openings have the proclivity to be ahead of rivals in bringing unique ideas or products which in turn leads to business performance. The findings agree with Olubola et al., (2020) who found in their studies that competitive aggressiveness had a significant positive impact on SME performance.

On innovativeness and SMEs performance relationship, the results revealed a significant and positive relationship that exist between innovativeness and performance of SMEs in south west Nigeria ( $t = 2.516$ ,  $p < 0.05$ ). This means innovativeness is an import factor that influences the performance of SMEs in south west Nigeria. The result agreed with the studies of Aladejebi and Olufemi (2019) who found in their studies that innovativeness had a significant positive impact on the performance of SMEs.

In general, the results (Table 2) revealed that the SMEs performance model with coefficient of determination  $R^2 = 0.4980$  at 0.005 was significant for this investigation. This revealed that entrepreneurial orientation elements explained 49.8% of the variation in SMEs performance. An assessment of the results revealed that all the components of the entrepreneurial orientation had positive relationship with SMEs, performance. However, both pro-activeness and autonomy had positive but insignificant relationship while innovativeness, competitive aggressiveness, and risk taking has significant positive relationship. Since all the component of entrepreneurial orientation had positive relationship and three out of five had positive and significant relationship, it can be

concluded that Entrepreneurial orientation (E.O) has a significant positive effect on the performance of small and medium enterprises in the south west Nigeria. Hence the null hypothesis which states that entrepreneurial orientation does not have a significant positive relationship with SMEs performance is rejected while the alternative hypothesis is accepted. The finding agreed with Moreno et al., (2008); Rauch et al., (2009); Ali, (2020) who found that EO was favorably and significantly associated with SMEs' organizational performance.

Table 2 Effect of Entrepreneurial Orientation on SMEs Performance

Variable	Co efficient	Standard Error	t	Sig.
Constant	0.410	0.184	0.236	0.026
Innovativeness (INN)	0.175	0.070	2.516	0.012
Proactiveness (PRO)	0.052	0.051	1.031	0.303
Risk taking (RTK)	0.269	0.070	3.846	0.000
Comp.Aggressiveness (CAG)	0.401	0.076	5.307	0.000
Autonomy (AUT)	0.001	0.070	0.027	0.978
<b>F-Statistics</b>	<b>71.42</b>			<b>0.000</b>
<b>R2</b>	<b>0.4980</b>			
<b>Adj. R2</b>	<b>0.4910</b>			
<b>Significance level at 0.05</b>				

Source: Author' Computations, 2025

Dependent Variables: SME Performance ( SMEP)

## CONCLUSION AND RECOMMENDATION

Premise on the findings, the study concluded that entrepreneurial orientation had significant effect on small and medium enterprises in south west Nigeria. All the five dimensions of entrepreneurial orientation examined had positive relationship with SMEs performance while three of them (INN, RTK, and CAG) had significant contribution to SMEs performance. This means for the SMEs who want to perform or grow, attention must be given to these strategies and they should be practiced effectively to enhance their performance and survival in south west Nigeria. Furthermore, SMEs in Nigeria should establish a good culture that will encourage entrepreneurial orientation. Workers, without regards to positions should be encouraged to explore their creativity. An enabling working environment without stringent structure should be created to allow free flow of work.

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