

Performance Implication of Entrepreneurial Orientation in South-Eastern Nigeria: A Small and Medium Scale Enterprises Perspective

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ABSTRACT

The performance of small and medium scale enterprises (SMEs) in Nigeria seem to be adversely affected as a result of poor entrepreneurial orientation, hence, the need to carry out this study to identify the extent of the relationship that exists between proactiveness and customers patronage of SMEs in South East, Nigeria. Survey research design was adopted for the study, with a target population of 35,535 SMEs in the study region. A sample of 396 respondents were selected through the application of Taro Yamane Formula. Data collection was carried out through a structured questionnaire, while the analysis of the collected data was handled using descriptive and inferential statistics. Hypothesis was tested 5% level of significance. The Result revealed that there is a positive significant relationship between the proactiveness of SMEs and customer patronage ($r = 0.55$ $p\text{-value} < 0.05$). The study, therefore, concluded that entrepreneurial orientation is a key part of the survival strategies of SMEs as the proactiveness of the SMEs go a long way in building confidence in customers and retaining their patronage. Sequel to this, it was recommended among others, that the management of small businesses should build their anticipatory capacity to be able to take proactive steps to remedy situations to avoid devastating effects in the future.

KEYWORDS: Performance, Entrepreneurial Orientation, Proactiveness, Customer Patronage and SMEs

INTRODUCTION

The role of Small and Medium Scale Enterprises (SMEs) cannot be overemphasized in the economic sustainability of nations. This was the position of Islam, Khan, Obaidullah and Alam (2011) who aver that SMEs globally play an eminent role in the economic development of nations. They are engines of economic growth, innovation, employment generation and poverty reduction (Mavondo, 2011). They have become important as a source of employment that maximizes the efficiency of resource allocation and distribution, as well as mobilizing and utilizing local human and material resources (Cunningham & Rowley, 2007).

SMEs form part of the entrepreneurial hub of nations; nations with a huge number of SMEs are said to have an immense entrepreneurial orientation (EO). A competitive business environment has been created as

a result of the spread of globalization, where competition is no longer local, but global. Where dynamism and discontinuities are the order of the day. Zimmerer and Scarborough (2008) posit that EO is applying creativity and innovation to solve the problems and exploit opportunities that people face every day. It is the process by which people or organizations discover and exploit new business opportunities that exist within a market, revitalize existing businesses, or introduce new products or processes (Obumneke & Nimfa, 2015). These are primarily what throws up and sustains SMEs in a very competitive setting like southeast Nigeria where entrepreneurship is a hallmark and new business creation is rampant.

The SME sector is bedevilled with a lot of problems, ranging from poor infrastructure to an unfavourable

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business environment. They battle poor electricity, poor access to credit, insecurity and poor patronage of locally produced goods. In the words of Sarapaivanich and Kotey (2006), they aver that the challenges of SMEs include poor market orientation, low level of entrepreneurial skills, poor management policies, constrained access to money and capital markets and low equity participation from the promoters because of insufficient personal savings. Others are low return on investment, inadequate equity capital, poor infrastructural facilities, high rate of enterprise mortality, shortage of skilled manpower, multiplicity of regulatory agencies, societal and attitudinal problems, bureaucracy, integrity and transparency problems.

Recognizing the challenges of SMEs, the Federal Government have had to introduce various policies and programmes geared towards mitigating the problems of SMEs. Some of such policies include Small and Medium Equity Investment Scheme (2001), National Micro Finance Policy (2005, revised 2011), National Policy on MEMEs (2007), Small and Medium Credit Guarantee Scheme (2010), and National Enterprise Development Programme (2013). Others are grants/loans, entrepreneurship and vocational training, supply of seedlings and marketing arrangements, including granting SMEs easy loans from the Bank of Industry etc. However, the extent to which these policies and programmes have mitigated against the challenges of SMEs is still largely insignificant as they are still battling with the challenges, thereby leading to a high rate of business mortality and increased unemployment and crime rate in the region. This has left the SMEs to fend for themselves, providing and making the business environment quite conducive for themselves by providing alternative sources of power supply, road, private security and loans through cooperation. It is against this backdrop that this study seeks to determine the extent of the relationship that exists between entrepreneurial orientation and the performance of SMEs in South-Eastern Nigeria as a broad objective. The study, however, specifically seeks to:

1. identify the extent of the relationship that exists between proactiveness and customers patronage of SMEs in South East, Nigeria.

REVIEW OF RELATED LITERATURE

Entrepreneurial Orientation (EO)

Firms need to be innovative in order to fulfil potential customer needs, engage in new exploration, support new ideas, experiment and stimulate creativity. All of which are efforts that may result in new products (Li, Liu, and Zhao 2006), services, or technological

processes (Lumpkin and Dess 1996), and change existing technologies or practices and ventures. Firms with EO are characterized by risk-taking behaviour motivated by high returns. They seize opportunities in the marketplace and obtain a first-mover advantage (Udu and Udu, 2015). Hence, EO has been defined by many researchers and scholars in a variety of ways. Covin and Slevin (2006) posit that EO is the construct representing organizational entrepreneurial abilities. While

Polat and Mutlu (2012) aver that an entrepreneurial organization engages in product marketing innovation, undertakes somewhat risky ventures, and is the first to come up with proactive innovations. EO is, therefore, the process and decision-making activities that lead to new business and development (Tang & Tang (2012). It is the propensity of a company's top management to take calculated risks, be innovative, and be proactive (Mutlu & Aksoy, 2014).

Many researchers think that EO has three main dimensions. They are innovativeness, proactiveness and risk-taking. Two more dimensions were, however, added by Lumpkin and Dess (1996). These additional dimensions are competitive aggressiveness and autonomy, thereby, bringing the dimensions to five. These five-dimensional approaches apparently provide a comprehensive way of studying entrepreneurial orientation and have been empirically tested (e.g. Hughes and Morgan, 2007; Al-Swidi and Al-Hosam, 2012). We believe that the comprehensiveness of Lumpkin and Dess' (1996) five-dimensional model makes it more appropriate for exploratory studies such as this, hence its adoption.

Proactiveness

Proactiveness is a state of mind, and the will is largely driven by one's consciousness, to sustain a vision, to fulfil a mission, to attain a challenging goal and to achieve defined objectives. It is envisioning a future towards which one device the strategic parameters for influencing, impacting and recreating the environment within which to operate in line with that vision. Entrepreneurial proactiveness can also be seen as the alertness of the company.

Proactiveness reflects entrepreneurial willingness to dominate competitions through a combination of proactive and aggressive moves, e.g. introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment. Moreover, having a proactive orientation involves the discovery and satisfying the latent unarticulated needs of customers through collecting customers and competitor-based information (Mehran and Mortezea, 2013). The

proactiveness dimension is said to reflect top management orientation in pursuing enhanced competitiveness and includes initiative and risk-taking and competitive aggressiveness and boldness (Gunjor, 2012). It shows a strong positive relationship with performance (Lumpkin and Dess, 1996).

Entrepreneurial proactiveness as important as it is in measuring organizational performance is not sufficient for entrepreneurial proactiveness to be linked to knowledge for coordinating inputs at below market value and converting such inputs into output for ensuring high performance. This makes the proactive company focus on the past; the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its pro-active future (Olayiwola, 2012). Proactiveness is basically achievement-oriented, emphasizing initiative-taking, anticipating, creating change, predicting evolution towards a critical situation and early preparation before the occurrence of an impending uncertainty or risk. Proactiveness reveals self through actions in a formulation of "stated belief" and the implantations of these beliefs (Rosemond et al, 2012). Its tendency gives a firm the ability to anticipate changes or needs in the market and be among the first to act on them and such a first-mover advantage translates into superior performance. Therefore pro-active firms can create first-mover advantages, target premium and market segments and skim the market ahead of competitors.

Firm Performance

Improving performance is the major target of an entrepreneurial organization (Wiklund & Shepherd, 2003). It is equally essential in business performance too (Kusumawardhani, 2013). Despite various performance measurements, which are applied in different entrepreneurship studies, however, studies do not provide any justification for selecting measures (Murphy, Trailer, & Hill, 1996). Business performance is a compartment of organizational effectiveness (Venkatraman & Ramanujun (1996). They said that inclusive business performance includes financial performance and operational performance.

Indeed, the financial performance of an organization is very important. However, to cover all areas, both the financial, and non-financial performances are essential to be measured ((Hanafi, 2012; Mahmood & Hanafi, 2012). According to Hanafi (2012), most of the empirical studies of EO research employed performance as a dependent variable. They found it on their literature survey of fifty-one published entrepreneurship studies between 1987 and 1993. Based on the study, they further added and introduced

the three dimensions of financial performance such as efficiency, growth, and profit. Hanafi (2012) have applied these dimensions to measures of financial and operational performances

On the other hand, Stam and Elfring (2008) contributed technological performance as a measurement of organizational performance through the speed of service delivery and O'Sullivan and Abela's (2007) contribution of market share as measurement dimension, the performance measurement seemed contextual. The performance measurement dimensions vary because of context. Literature shows that the measurement can be done subjectively and objectively save for many researchers realized that the self-reported data or a subjective measurement is easier (Stam&Elfring, 2008). Dess, Lumpkin, and Covin (1997) also supported this method. In the same way, Venkatraman and Ramanujun (1996) concerning method speak that subjective measures of performance are consistent with objective measures.

Customer Patronage

In the context of this study, we may use customer patronage and loyalty interchangeably because customer patronage precedes loyalty. There is a strong relationship between patronage and loyalty. Patronage is burnout of a desire to be committed to an organization either based on its service quality or perceived service qualities. Hence, the extent to which a customer will patronize a business firm depends on how the customer perceives the services or how the customer also thinks and feels that the condition of the service environment is consistent with his /her personality.

SMEs in the 21st century often compete for customers to increase their market share. Customer Relationship Management (CRM) helps SMEs to focus on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing (or customer relationship marketing) is to create strong, even emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads (Rouse, 2015). Customers remain loyal to firms that provide them greater value and satisfaction than those they expect from competing firms. Also improved market share, sales and profitability will accrue to the firm. Simply put, relationship marketing is the art of developing a close and personal relationship with your customers. This is because anybody can start a business but not everybody can build a strong customer relationship. Creating long-lasting

relationships helps to ensure long-lasting customers and repeat sales. Customers want to know and feel that they are valued and appreciated as an individual. Showing existing customers that you value and appreciate them encourage them to refer other potential customers which may be their colleagues, friends, relatives, and others to your business (Martins, 2015).

Empirical Review

Akande (2014) examined the effect of Entrepreneurial business operation on the economic survival of the Nigerian people in Ilorin Metropolitan area. Random sampling techniques was used, from which the sample of various SMEs Owners (Entrepreneurs) was drawn through the simple random sampling, a sample of (50) Entrepreneur were selected from a list of registered SMEs-Owner in Ilorin. Fifty(50) Questionnaires were administered and distributed to the Entrepreneurs across the South local government in Ilorin. The responses were analyzed using Statistical Package for Social Sciences (SPSS) analytical package. The results of the research show that small-scale business operation has a positive and significant effect on the economy Survival. From the analysis carried out and the data obtained from this research work, the result validates that Small-scale business operations contribute to the economic growth of a nation. Also, there was a significant relationship between entrepreneurial business operations and productivity. The establishment of small scale businesses brings at least a 50% increase in profitability and productivity as the age of the business increase. There was a positive relationship between small-scale business and employment. The higher the small-scale business established the more employment of youths increase

Olu, Marius, Anca & Florentina (2017) tested the relationship between innovation, the financial performance of a company and a firm's competitive advantage. This was done through correlation and regression analysis. Data were analyzed using descriptive and inferential statistics. Hypotheses were tested at 0.05 significant levels with the aid of a parametric student t-test. The results revealed that there is a positive relationship between innovation and the financial performance of the company. A clear lesson from this study is that the future must include promoting innovation and entrepreneurship; in other words, business competitiveness depends on the creativity and innovativeness of its entrepreneurship.

Bala and Mata (2014) explored how market and entrepreneurial orientations related to SME performance in Nigeria. The study employed a

qualitative interview with one owner/manager of a manufacturing SME in Kano, NVIVO trial version 10 was used for data analysis. The finding of the study indicated a significant positive relationship between the constructs. The study will contribute to the existing body of knowledge as the theory will be tested in Africa (Nigeria), it will also benefit SME managers, business personnel, government at various levels and will also serve as a frame of reference to future studies. Suggestion for future research is provided.

Yu-Ming, Wan-Qin, Sang-Bing, Zhen, Yu and Quan (2018) surveyed 324 small and medium-sized enterprises (SMEs) of the Yangtze River Delta in China, this study discusses the relationship between entrepreneurial orientation, absorptive capacity, environmental dynamism, and corporate technological innovation performance. The results based on a moderated moderation model show that the relationship between entrepreneurial orientation and innovation performance is significantly positive. The absorptive capacity can positively moderate this relationship. When the external environment is in high dynamism, the moderating effect of absorptive capacity will be stronger than when the environment is in low dynamism.

Ogbari, Ibidunni, Ogunnaike, Olokundun and Amaihian (2018) examined comparative analysis of small business strategic orientations based on the presence of aggressiveness, futurity, riskiness, proactiveness and analysis and defensiveness for performance. For proper projection, four hypotheses were formulated. Survey research design, purposive and simple random sampling techniques were adopted for the study. Data were collected from selected Covenant University strategic business Units through the administration of questionnaires that were sorted and analyzed using descriptive statistics, regression and Pearson correlation analysis. The study revealed a positive effect between the various variables; product innovation and revenue turnover; research development and customer patronage; technological innovation and return on investment. Therefore it was recommended that SMEs need to be as innovative and proactive as possible to enable their optimal navigation and improved productivity in whatever business environments they operate and also to foster more strategic improvisational actions that can bring out change, enhance operational efficiency and contribute to organizational performance and competitive advantage.

METHODOLOGY

Survey research design was adopted by the study. The population of the study is made up of 35535

registered small and medium scale entrepreneurs in South-East Nigeria. A sample size of 396 was arrived at, using the Taro Yamane formula, while selecting 79 SMEs randomly from each of the five States (Strata) that makeup South East, Nigeria. The data was sourced primarily, using a structured

questionnaire. It was validated using content and construct validity, while reliability was ascertained using the split-half technique and the coefficient obtained was .866. Data were analyzed using descriptive and inferential statistics, and hypothesis tested at a 5% level of significance.

DATA PRESENTATION AND ANALYSIS

To what extent does proactiveness relate to customer patronage of SMEs in South East, Nigeria?

Table 1: Respondents' mean ratings on the extent of proactiveness relates to customer patronage of selected SMEs in South East, Nigeria (N=340)

S/N	Statement items	Mean	Remark
Proactiveness			
1	I introduce new products or services ahead of competition and acting in anticipation of future demand to create change and shape the environment	3.06	Moderate Extent
2	I discover and satisfy the latent unarticulated needs of customers through collecting customers and competitor-based information	3.19	Moderate Extent
3	I prepare early for the occurrence of an impending uncertainty or risk	3.08	Moderate Extent
4	I target premium and market segments and skim the market ahead of competitors	4.18	High Extent
5	I exploit existing opportunities by scanning the market environment for useful information	3.81	High Extent
6	I create new opportunities for my firm by actively seeking to redefine the market	4.44	High Extent
Customers patronage			
7	Most of my customers are committed to buy or get service from my firm based on its service quality	4.03	High Extent
8	I have a high number of customer coverage	2.98	Moderate Extent
9	There is high patronage from customers because of the prices and quality of my goods or services	4.78	Very High Extent
10	I have a high uprise of new business	3.14	Moderate Extent
11	I treat customers as individuals who are respected and valued with a resultant effect of high patronage	4.46	High Extent
Grand Mean		3.74	High Extent

Source: Researcher computation

Table 1 shows that the 11 items have mean ratings ranged from 2.98 to 4.78. Item 9 had a mean rating of 4.78, which mean that SMEs had and displayed the potential to a very great extent. Item 4, 5, 6, 7 and 11 had a mean rating of 3.81 – 4.46, which means that the SMEs had these potentials to a great extent. Items 2, 3, 8 and 10 had mean ratings of 2.98 to 3.19, which indicate moderate extent. However, the grand mean of 3.74 shows that the SMEs to a great extent displayed proactiveness, which was shown in good customer patronage

Hypothesis Test

H_A: There is a positive relationship between proactiveness and customer patronage of SMEs in South East, Nigeria

Table 2: Correlation analysis for proactiveness and customer patronage

Correlations			
		PRO	CPAT
PRO	Pearson Correlation	1	.55**
	Sig. (2-tailed)		.000
	N	340	340
CPAT	Pearson Correlation	.55**	1
	Sig. (2-tailed)	.000	
	N	340	340

** . Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed)

Source: Researcher Computation

Keys:

PRO: Proactiveness

CPAT: Customer Patronage

Table 2 presents Pearson's Product Moment analysis on the relationship between proactiveness and customer patronage of SMEs in the study area. The result indicates that there is a positive relationship between the proactiveness of SMEs and customer patronage with $r = 0.55$. This shows that the proactiveness of SMEs moderately influenced customers' patronage of products and services of SMEs in South-East Nigeria. The relationship between the variables is statistically significant but moderate.

Conclusion

Small businesses are critical to the economic development of nations, hence, their survival is crucial for the growth and sustainability of nations. However, the rate of challenges they face is enormous, coupled with the highly competitive nature of their environment. Thus, numerous strategies play a role in making sure they stay ahead of competitions. This study, through its findings, shows that entrepreneurial orientation is a key part of the survival strategies of SMEs as the proactiveness of the SMEs go a long way in building confidence in customers and retaining their patronage.

Recommendations

The study makes the following recommendations:

- A. That the management of small businesses should build their anticipatory capacity to be able to take proactive steps to remedy situations to avoid devastating effects in the future.
- B. The owners of SMEs should also change as the taste, demand and composition of their customer base changes, so as to retain their patronage, as it is crucial for their survival.

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