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**EFFICIENCY OF SMALL BUSINESS:  
THE CASE OF NIGERIA**

*The concept of entrepreneurial orientation (EO) has been widely discussed through previous studies in entrepreneurship, so it can be considered as one of the main topics in this field, and the most commonly used measure of entrepreneurial behaviour. The main objectives of the study were to determine the effect of entrepreneurial orientation on small and medium sized enterprises and also to examine the effect of innovative performance on EO. The study population refers to selected SMEs that were registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Ogun State, Nigeria. The primary data was generated through the field survey using structured questionnaire as a major research instrument. Taro Yamani scientific formula was adopted to determine the sample size. Correlation statistical analytical, Pearson Product Moment correlation Coefficient method and content validity method was applied. The study used Analysis of variance (ANOVA), correlation efficiency, and regression analysis for this study. The research found that there is a significant effect of entrepreneurial orientation on small and medium sized enterprises performance in Nigeria. Moreover, the results of the study indicated that EO affects innovative performance. The study recommends that small and medium sized enterprises should embrace the entrepreneurial orientation dimensions of autonomy, proactiveness, risk taking, competitive aggressiveness and*

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**ЕФЕКТИВНІСТЬ МАЛОГО БІЗНЕСУ:  
КЕЙС НІГЕРІЇ**

*Концепцію підприємницької орієнтації (ПО), що широко висвітлено в попередніх дослідженнях, можна вважати однією з основних тем у цій галузі, та часто використовуваним показником підприємницької поведінки. Основна мета дослідження – визначення впливу підприємницької орієнтації на малі та середні підприємства (МСП), а також інноваційної діяльності на ПО. Досліджувана вибірка належить до обраних МСП, які зареєстровані в Агентстві розвитку малих і середніх підприємств Нігерії (SMEDAN) у штаті Огун, Нігерія. Первинні дані отримано шляхом польового опитування з використанням структурованого опитувальника як основного інструменту дослідження. Для визначення розміру вибірки прийнято наукову формулу Таро Ямані. Використано кореляційно-статистичні, аналітичні методи: кореляції моменту продукту Пірсона та валідності вмісту, кореляції та регресійного аналізу, дисперсійного аналізу (ANOVA). Виявлено значний вплив підприємницької орієнтації на ефективність малих і середніх підприємств у Нігерії. Результати дослідження показали, що ПО впливає на інноваційну продуктивність. За підсумками дослідження, надано рекомендації щодо використання малими та середніми підприємствами таких параметрів ПО, як автономія, проактивність, ризик-менеджмент, конкурентна агресивність та*



*innovativeness to increase business performance and SMEs operators should adopt autonomy by encouraging employees to be autonomous and be free to take initiative for the best interest of the organization and use periodic appraisal to monitor them.*

*Keywords:* Entrepreneurial Orientation, Small Sized Business, Innovative Performance.

*інноваційність для підвищення ефективності бізнесу. Керівникам МСП запропоновано заохочувати автономність, незалежність працівників в ухваленні рішень, ініціативність, контролюючи при цьому відповідність їхніх дій інтересам організації.*

*Ключові слова:* підприємницька орієнтація, малий бізнес, інноваційна діяльність.

JEL Classification: M0, M1, M10, M21, M29.

## Introduction

The significant impact of small-medium enterprises (SMEs) on a developing economy is increasingly recognized (Alayo et al., 2019). They have often been acknowledged as productive and efficient job creators, large-scale seed companies and national economic engines (Short et al., 2018; An & Kang, 2016). In the world's economy, professionals, politicians and scholars have been increasingly concerned with the study of entrepreneurship and SMEs (Adenuga, 2015). Entrepreneurship has been recognized widely in developing countries as an influential instrument for poverty reduction and an enhancer of economic growth (Alexe, C. G. & Alexe, C. M., 2018). All countries in general and developing countries in particular, seek to enhance and develop the entrepreneurial business to support the economic improvement and stability (Ajayi, 2016). Entrepreneurship is currently the primary cause of development, and is considered the driving force behind financial and social growth in most advanced and developing countries.

Studies show that entrepreneurs play key roles particularly in the creation of small and medium enterprises, leading to higher employment (Adisa et al., 2016). Because of its great ability to create new jobs, entrepreneurship is an essential factor for economic growth (Gal, 2018). Moreover, entrepreneurs play a very prominent role in employing the rural population, provide self-employment to those who start their own business and enhance the economic environment of the different sectors (Gao, 2017). The SME sector in Nigeria begins the growth curve, and this sector needs a high level of governmental assistance. Nigeria SME contribution to GDP is small but helps the country to reduce the volume of unemployment (Cherchem, 2017).

According to Aminu&Sherif (2014) there were about 132 735 SMEs in 2013, most of them in the Lagos area. Kowo et al. (2018) reported that 70% of SMEs are micro-enterprises, 25% of which were small and 5% were medium-sized in 2013. Ayeni-Agbaje & Osho (2015) highlighted how the Nigeria government took extraordinary actions to enhance its SMEs and the economy of its entire country in 2015. Nearly 90% of private industry is based on SMEs and it offers many job opportunities for young people, resulting in a significant fall in national unemployment over the last two years (Al Bulushi & Bagum, 2017).

Small and Medium Enterprises (SMEs) play a pivotal role in the economic growth and development of emerging, developing and developed economies of the world. The development of the small and medium scale Enterprises sector is one approach that will help the government to attain the

objective of promoting entrepreneurship as a vehicle for driving rapid industrialization, solving the problem of unemployment and overall economic growth. The contribution of the SMEs sector to the Nigerian economy shows that it is a strategic engine for economic growth and development. Small businesses play a key role in creating jobs, contributing to tax, export and import revenues, facilitating the distribution of goods, as well as contributing to human resource development.

SMEs are the cradle of innovations (INNs) and entrepreneurship (Genc, 2017). In addition, SMEs are very important in the fight against poverty. They also employ poor and low-income workers and are sometimes the only source of employment in the rural area; their contribution cannot be overlooked (Al-Dhaafri et al., 2016). The major obstacles threatening the performance of small and medium sized Enterprises in Nigeria are obsolete technology, multiple taxations, access to the market, poor support (business development services), and inconsistency in government policies, poor infrastructure and access to finance (SMEDAN, 2013).

The dimensions of EM include strategic orientation, commitment to opportunity and resources, control of resources, management structure, reward philosophy, growth orientation and entrepreneurial culture (Kowo & Adenuga, 2019). The relationship between entrepreneurship orientation (EO) and firm performance has become the main subject of interest in past literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance (Gu & Qian, 2019).

In developing countries like Nigeria, most of the researches on entrepreneurship are based on small firms or individual entrepreneurs (Akinbola et al., 2015; Gloss et al., 2017). Consequently, the role of EO has not been fully exploited, and there is limited research dedicated to the field of business enterprises regarding the development of enthusiasm of EO among SMEs in developing economies like Nigeria. Therefore, the study seeks to investigate the effect of entrepreneurial orientation on the performance of selected small and medium sized enterprises in Nigeria.

The study population refers to selected SMEs that were registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Ogun State, Nigeria. The primary data was generated through the field survey using structured questionnaire as a major research instrument. Taro Yamani scientific formula was adopted to determine the sample size. Correlation statistical, analytical, Pearson Product Moment correlation Coefficient method and content validity method was applied. The study used Analysis of variance (ANOVA), correlation efficiency, and regression analysis for this study.

#### *Research Methodology, Data Analysis and Findings*

Data for this study came from the primary and secondary data. The primary data was generated through the field survey using structured questionnaire as a major research instrument. The secondary data on the other

hand were obtained from relevant literatures ranging from textbooks, journals, articles, periodicals, seminar paper dissertation. As a result of the inability of the researcher to effectively study the surveyed enterprises as a whole, a representative number was chosen as the total sample size. One hundred (100) selected staff of small and medium enterprises was used as the sample size. The sample size was calculated using the Taro Yamani Scientific formular where:

$$n = \frac{N}{1+N(e)^2} = \frac{133}{1+133(0.0025)} = \frac{133}{1.3325} = 100.$$

In this study, questionnaire and interview as research instrument were used. Questionnaire is the main research instrument used for the study to gather necessary data from the sample respondents. The questionnaire is structured in such a way that it provides answers to the research questions. In order to analyze the data collected effectively and efficiently for easy management and accuracy, the simple percentage method was the analytical tools used for this research project and a sample size of one hundred (100) will be represented by 100% for easy analysis of the responses. Also, Correlation statistical and analytical method will be used in the research work. Correlation as a statistical technique is used in testing of hypothesis so as to predict what the relationship between two variables should be. It is used in drawing and reaching conclusion by collecting the observed values from the questionnaire administered to respondents, testing the degree of freedom and making decision in determining the critical value of the hypothesis.

$$r = \frac{n\Sigma xy - \Sigma x \Sigma y}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2][n\Sigma y^2 - (\Sigma y)^2]}}$$

where  $x$  = independent factor;  
 $y$  = dependent factor.

Having gathered the data through the administration of questionnaire, the collected data will be coded, tabulated (*Table 1-3*), and analyzed according to the research question and hypothesis.

*Table 1*

Pearson – Product Moment Correlation Coefficient showing the reliability of instrument

SMEs in Osun state	First Average Response (x)	Second Average Response (y)	Xy	X <sup>2</sup>	Y <sup>2</sup>
Necham engineering services company	4	5	20	16	25
Pentagon solutions Nigeria	5	4	20	25	16
Strong Tower consults	3	4	12	9	16
Integrated steel company	3	4	12	9	16
Prudent clean up Limited	4	3	12	16	9
Total	19	20	76	75	82

Source: authors Field survey 2024.

$$\frac{n \sum xy - \sum x \cdot \sum y}{\sqrt{(n \sum x^2 - X^2)(n \sum y^2 - Y^2)}} =$$

$$= \frac{20 \cdot 76 - 19 \cdot 20}{\sqrt{20 \cdot 75 - 19^2 (20 \cdot 82 - 20^2)}} = \frac{1.520 - 380}{\sqrt{(1\,500 - 361)(1\,640 - 400)}} = \frac{1140}{1188.42} = 0.96.$$

Table 2

Illustration

SMEs in Lagos State	Number of questionnaires shared	Number of questionnaire returned	Number of questionnaire not returned
Netcom Africa	20	20	0
Auth technical services	20	20	0
Chukky technologies	20	20	0
Sortz Solution	20	20	0
Clement Ashley	20	20	0
Total	100	100	0

Source: authors computation, 2024.

*Hypothesis One*

H<sub>0</sub>: There is no significant effect between entrepreneurial orientation and small sized business performance in Nigeria

H<sub>1</sub>: There is significant effect between entrepreneurial orientation and small sized business performance in Nigeria.

Level of significance: 0.05

Decision rule: reject the null hypothesis if the p-value is less than the level of significance, accept the null hypothesis if otherwise

Table 3

Test Statistics

	There is a significant effect of entrepreneurial orientation on small scale business performance in Nigeria
Chi-Square	105.520*
Df	3
<b>Asymp. Sig.</b>	<b>.000</b>

\* 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

Source: authors computation, 2024.

Since the p-value= 0.000 is less than the level of significance (0.05), we reject the null hypothesis and conclude that there is a significant effect of entrepreneurial orientation on small scale business performance in Nigeria.

*Hypothesis Two*

H<sub>0</sub>: There is no significant relationship between entrepreneurial orientation and Innovative Performance in Nigeria.

H<sub>1</sub>: There is a significant relationship between entrepreneurial orientation and Innovative Performance in Nigeria.

Level of significance: 0.05.

*Decision rule*: reject the null hypothesis if the p-value is less than the level of significance, accept the null hypothesis if otherwise.

## 1. SMEs Problems in Nigeria

SMEs in Nigeria face enormous pressures as the nation integrates more into the world economy. Influences, impacting as both external and internal factors, can be found in the business environment, such as globalization, technological innovation and demographic and social change, as well as the level of technology deployed, innovative ability, financial support and entrepreneurship.

Several studies have researched on SMEs and Entrepreneurial performance (Akinbola et al., 2015; An & Kang, 2016; Kellermanns et al., 2016; Genc, 2017; Gu&Qian, 2019; Alayo et al., 2019; Adenuga, 2015; Kohtamäki et al., 2019; Gal, 2018; Ajayi, 2016; Alexe C. G. & Alexe C. M., 2018; Short et al., 2018; Ayeni & Osho, 2015; Aminu & Sherif, 2014; Adisa et al., 2016; Gal, 2018; Basson & Erdiaw-Kwasie, 2019; Deepa Babu & Manalel, 2016). In Nigeria entrepreneurial ventures have a low survival rate as entrepreneurs start businesses but are unable to turn them into sustainable businesses. Also, most new SMEs in Nigeria do not move from the first stage of existence to other stages such as survival success, take off and resource maturity (Adams et al., 2018).

All over the world as well as in Nigeria in particular, several characteristics, factors and problems stated above have been identified to be key determinants of lack of SMEs performance and macroeconomic consequences of such problems include poverty, unemployment, increase in inflation and other macroeconomic challenges and low performance (Adewale et al., 2013), therefore, it is necessary to establish an understanding of key entrepreneurial orientation and business practices that can help in the understanding and promotion of SMEs for better performance. Many reviews and assessments of the entrepreneurship research field have concluded that the development of a cumulative body of knowledge has been limited and slow because there is lack of agreement on many key issues regarding what constitutes entrepreneurship (Bendig et al., 2018).

Researchers cannot rely on each other's results (Martin & Javalgi, 2016; Amirhani & Reza, 2015), and because measurements of key variables are typically weak. This study seeks to answer the following research questions: To what extent does entrepreneurial orientation affect SMEs performance in Ogun State, Nigeria? How does entrepreneurial orientation affect Innovative Performance of SMEs in Ogun State Nigeria?

## 2. The Concept of Entrepreneurial Orientation

In recent years, academic and business interests have continued to focus on entrepreneurship orientation (Bendig et al., 2018), internationalization and competitive strategies (Gu & Qian, 2019). Kellermanns et al., (2016) and Short et al., (2018) added that entrepreneurial orientation (EO) as a differentiating firm factor in the entrepreneurship literature has been consolidated. EO has become a key concept in entrepreneurship, which has received considerable theoretical and empirical attention (Short et al., 2018; Kohtamäki et al., 2019). Entrepreneurs have an entrepreneurial orientation (EO) that indicates the procedures, structures, and behavior of the firm to take advantage of opportunities.

Sustainable entrepreneurs are described by previous literature as agents of change with the ability to disrupt an unsustainable system of industries and engage in complex entrepreneurial and sustainability trade-off decisions (Gao, 2017). Short et al. (2018) argued that entrepreneurial orientation is reflected in the execution processes of organizations and organizational culture. It is a vital element for achieving higher performance through differentiation, developing better alternatives before competitors, supporting adaptation to environmental changes and market trends, weakening competitors' competitiveness and responding to future actions rapidly (Adenuga, 2015).

The cornerstone of entrepreneurship is EO and it is one of the significant predictors of firm performance (Cherchem, 2017). Kohtamäki et al., (2019) reported that the concept of EO has been widely discussed through previous studies in entrepreneurship, so it can be considered as one of the main topics in this field, and the most commonly used measure of entrepreneurial behavior or inclination in strategies and entrepreneurship studies. The knowledge of EO has been further extended and has greatly benefited from two important constructs. This construct basically recognizes that EO has a basic and one-dimensional strategic orientation that is self-evident in the simultaneous existence of three elements, innovativeness and proactiveness behaviors as well as risk-taking which is considered an attitudinal propensity.

In particular, innovativeness and ingenuity ascribe to the notion of enhancement of creative procedures that could in fact lead to the creation of new products, services or technologies (Gu & Qian, 2019; Short et al., 2018). Proactiveness indicates a desire to pursue self-motivated willingness to enhance current situation and create an environment conducive for growth as well as incubation for germinating of new opportunities, while risk-taking refers to the courage and ability to channelize investments and efforts in uncertain domains in order to capitalize on exponential return possibilities in terms of gains (Amirkhani & Reza, 2015).

In addition, EO is an organizational concept that demonstrates the managerial ability through which companies execute proactive and aggressive initiatives to achieve competitive advantage. Other researchers emphasized an expanded definition of the EO (Ayeni & Osho, 2015). Similarly, EO becomes an outstanding feature for high performing organizations (Basson & Erdiaw-Kwasie, 2019). Gal (2018) also stated that entrepreneurial orientation represents the management's orientation toward seeking new opportunities for firm growth. Hence, entrepreneurial orientated firms are more ready to achieve growth via exploratory strategic actions (e.g., developing new product) rather than exploitative activities (e.g., advertising) (Short et al., 2018).

Also, Kohtamaki et al. (2019) demonstrated that entrepreneurial orientation helps to achieve sustainable performance. Innovative behaviors as a dimension of EO are critical to the survival of the organization and organizations can use proactive behaviors to increase their competitive position with respect to other organizations. In terms of risk-taking, entrepreneurial organization that shows moderate levels of risk will outweigh those who offer very high or very low-risk levels (Genc, 2017).

### 3. Five Dimensions of Entrepreneurial Orientation

*Innovativeness*: Innovativeness is the number one characteristic of an entrepreneurial organization (Aminu & Sheriff, 2014). It is an act that sees creative ideas through, resulting in new products or processes. Schumpeter refers to innovation as the process of creatively destructing an "old order" in order to create a "new order" as a result of new combinations (An & Kang, 2016). Innovative organizations see things the way others see them but do things differently. It is the ability to translate creative ideas into something concrete, unique, or novel. Innovation could be product-market innovation or technological innovation. Innovation could also be making strategic renewals or improvements to existing products, processes, or systems (Adenuga, 2015). According to Schumpeter, innovative acts result in new products, markets, processes, sources of raw materials, and organizations (Ayeni & Osho, 2015).

*Risk-taking*: It is the willingness and readiness to commit resources (own or borrowed) to pursue identified market opportunities that have a reasonable possibility of losses. Risk-taking, as an important feature of entrepreneurship, is not about taking extreme or uncontrollable risks, but it is about taking moderate and calculated risks. Risk-taking and innovativeness are related. This is because innovation involves risk-taking and the higher an organization innovates, the more risks it takes (Ajayi, 2016).

*Pro-activeness*: It is concerned with the ability of an organization to identify or anticipate market opportunities and marshal out resources to



exploit identified opportunities before other competitors notice the presence of such opportunities. It is about being the first or among the first organizations to spot the presence of market opportunities and exploit them. A proactive organization has the ability to see opportunities where others see none. An organization can be proactive by anticipating potential market needs and taking actions, in the form of delivering quality products, to meet the market needs. According to Adams, Matins and Brown (2018), proactive firms *act on* rather than *react to* their environments.

*Autonomy*: It is about giving a free hand to employees to explore and exploit identified market opportunities. Since creative and innovative ideas emanate from the people (the employees) (Ajayi, 2016), therefore they should be allowed to experiment their creative and innovative ideas and bring them to fruition without being obstructed by the bureaucracies of the organization.

*Competitive aggressiveness*: It refers to different tactics or strategies that an organization uses to compete and outsmart competitors in the marketplace (Cherchem, 2017). It entails massive deployment of resources and vigorously pursuing market opportunities with a view to outshining rivals.

#### 4. The Concept of Innovative Performance

Today's business environment is unpredictable and volatile, and companies have to modify and adapt constantly to survive. New ideas, strategies, processes, new markets, products and services contribute to innovation to cope up with volatility (Kowo & Adenuga, 2019). Innovation is an essential tool for developing strategies; it can enable companies to distinguish their products, increase efficiency, permeate new markets and increase market share to demonstrate their competitiveness (Genc, 2017).

Short et al. (2018) asserted that companies have always been required to enhance innovations to ensure they keep a competitive advantage. Within the competitive business environment, organizations have begun to develop innovative performance to achieve greater success and remain in competitive markets (Alayo et al., 2019). Likewise, innovation is one of the main characteristics of entrepreneurial behavior that has been strongly connected to small and medium enterprises (Martin & Javalgi, 2016). Based on this idea, SMEs are increasingly moving towards innovation to develop, enhance and maintain their competitiveness (Akinbola et al., 2015).

Innovation remains a broad concept conceived in different ways. For this reason, attempts to define the concept have led to widely divergent definitions and perceptions (Gao, 2017). Genc (2017) mentioned that innovation is designing, creating, developing or implementing new products, services, systems, organizational structures, new models or business models to generate new value for customers and financial revenues for the company. According

to Ayeni-Agbaje & Osho (2015) innovation is described as the applying of new ideas or behavior in the organization's products, services, systems, policies and programs to adjust to the environment and to enhance efficiency and competitiveness.

Moreover, innovation refers to the reduplicating process involved in developing and marketing products and services as a response to new opportunities, and coincides with ambitious commercial success (Aminu & Sherif, 2014). Kellemanns et al. (2016). Knowledge is an essential tool for innovative performance. Gu & Qian (2019) indicated that innovative performance must be clearly defined to increase our understanding of some technical issues relevant to the influences of organizational learning capacity.

Innovative performance refers to the development of products, processes, and procedures that increase the relevance, utility and performance of products and services by using new ideas and creativity (Gu & Qian, 2019). In a like manner, innovative performance is a collection of overall organizational accomplishments as a result of the renovation and development efforts that have been undertaken, taking into account different aspects of innovation in the organization – for example, procedures, products, marketing, organizational structure, etc. Innovative performance is the construction of a composite based on different performance indicators, such as new patents, new products, new projects, new practices, and new organizational procedures (Gloss et al., 2017).

## 5. Overview of Small and Medium Sized Enterprises

The basic principles for classifying SMEs are based on the strength of the workforce, capital asset, and turnover. In an advanced economy such as the USA, SMEs are defined as "any business with fewer than 500 employees" (Al-Harti, 2017). UK classifies SMEs into three categories as micro having less than ten employees, small from 10 to 49, and medium from 50 to 250 employees (Cherchem, 2017). Likewise, in Nigeria, SMEs are described as a business entity with a workforce of 11–49 and total cost from 5 million to 50 million Nigeria Naira working capital but excluding the cost of land for a small-sized enterprise.

While medium scale businesses are classified as a business venture with a total cost from 50 million but not exceeding 200 million Nigerian Naira, including working capital but excluding the cost of land and workforce from 50 to 199 (Ajayi, 2016). SMEDAN (2013) reported that SMEs in Nigeria account for 97% of the total business formations in the country and contribute 87.9% of the labor force in addition to 48% of industrial output in terms of value added. However, SMEs contribution to the GDP is not stable for some years in Nigeria (SMEDAN, 2013). For example, SMEs contributed

37% to the GDP in 2009, and the figure was improved in 2010 by 26% making a total contribution of 46.5% to the GDP (SMEDAN, 2013).

SMEs play a vital role in the informal sector of the Nigeria economy. The performance and survival of SMEs depend on the favorable policy that can drive and develop the industry in Nigeria (Bendig et al., 2018). Aminu & Sherif (2014) suggests that the link between SMEs performance and economic growth remains intricate and that entrepreneurial ability is considered as a necessary component of a country's capability to support economic development through SMEs.

The government has always observed the importance of SMEs through various strategic policies (Gal, 2018). Similarly, to make SMEs survive and grow in the challenging environment, the Nigerian government has provided incentives that would stimulate the performance of SMEs in the system through the use of fiscal policy measures (Genc, 2017).

## 6. Small and Medium Scale Enterprises (SMEs) Performance

Understanding the factors that lead some enterprises to be more competitive than their competitors and thus making a bigger profit than their competitors is a matter of interest not only for academics but also for managers (Gao, 2017). Alexe C. G. & Alexe C. M. (2018) and An & Kang (2016) argued that it is important for management to use external sources of information to adapt and respond to more complex and rapid changes in a dynamic business environment and use these sources to continue and survive in the work environment. Ajayi (2016) pointed out that the need to acquire and manage knowledge is emphasized to increase the overall performance and achieve competitive advantage.

Various researchers have been attracted to exploring enterprise broadly, as its action contributes to macroeconomic results, as well as to SMEs performance. Performance change is the essential objective of entrepreneurial firms, as it exhibits the level of accomplishment of their business operations. Different firm performance estimations have been connected in earlier business research. In any case, the lion's share of these examinations did not give any support to the choice of measures utilized (Kellemanns et al., 2016).

While exact estimation is urgent to seeing the SMEs performance, there has been no agreement among business enterprise researchers on the task of a suitable arrangement of estimations (Gal, 2018). Kowo & Adenuga (2019) added a definition for measuring SMEs performance which combined financial and non-financial measures to evaluate it. Adams, Martin and Boom (2018) gave a characterization plot that clarifies the area of business performance. They claimed that business performance is a subset of the general idea of hierarchical viability, and that thorough business performance

covers monetary performance as well as operational performance (Kohtamäki et al., 2019; Akinbola et al., 2015).

The last incorporates indicators identified with mechanical productivity, such as product quality and advertising adequacy. Previous studies have shown that there is no consensus on how to measure a company's performance (Alayo et al., 2019). The concept of performance has been captured in numerous areas of research as a measure for the success of any business venture overtime. Usually, performance is viewed from different perspective based on context with diverse indicators (Gao, 2017). From firms' perspectives, performance explains the value deliver to customers and shareholders (Gloss et al., 2017).

## 7. Theoretical Review

Schumpeter's Theory of Innovation has a significant effect on research in EO and performance of SMEs. As vigorously propounded by Schumpeter (1911), entrepreneurship and economic growth are positively related. As comprehensively documented by Schumpeter (1911) entrepreneurship is about innovation as new combinations of inputs of production are introduced by the entrepreneur resulting in increased economic growth. The increased economic growth was brought about by their skills and their ability to innovate. Schumpeter's notion of entrepreneurship is grounded in the exploitation of profit opportunities. Furthermore, it stresses the crucial role of entrepreneurship in the economic process as it indicated that the economy will move from an economically and/or technologically inefficient point towards more economically and/or technologically efficient production point once the entrepreneur discovers previously unexploited profit opportunities (Ibru, 2007).

The production possibility frontier will be shifted outwards by the entrepreneurial process once the improved technology is discovered resulting in increased productivity and economic growth. When considering entrepreneurship and economic development, Schumpeter sees the entrepreneur as an innovator. In addition, he views an entrepreneur as a leader that channels the factors of production into previously unexploited areas and other producers follow him into these new areas. As stated by Schumpeter (1961), innovation involves opening a new market, new sources of raw materials or new forms of industry organization, the introduction of a new good(s), and the introduction of new production or technical method(s).

In his view, entrepreneurship is innovative as it involves the ability to break away from routine, overhaul existing structures, and move the system away from the event, circular flow of equilibrium (Ibru, 2007; Adams et al., 2018). Dejardin (2000) stated that the Schumpeterian entrepreneur, through his innovative activity, seeks to create new profit opportunities, which can

result from productivity increases, thereby impacting positively on business performance.

## 8. Related Empirical Review

Short et al., (2018) examined the effect of EO on firm performance in Malang and the results confirmed that that EO has a very strong relationship with organizational performance. Corroborating the above, Kowo & Adenuga (2019) revealed positive influence of entrepreneurial characteristics and orientation on the performance of the business. Other researchers that have reported positive relationships include (Gal, 2018; Alayo et al., 2019; Aminu & Sherif, 2014; Genc, 2017; Short et al., 2018). However, there are also studies that contradict this statement, which stated that some EO dimension had negative impact or no impact at all on performance (Alexe, C. G., & Alexe, C. M., 2018).

The study of Adisa et al. (2016) empirically assessed the relationship between entrepreneurial orientation, networking capability, institutional environment factors and export performance of 235 Nigerian agricultural firms. The result affirms that there is a strong positive relationship between entrepreneurial orientation, networking capabilities, institutional environment factors and the export performance of agricultural sector SMEs in Nigeria, and the results suggested that the ability of agricultural SMEs to be proactive, innovative, take risks, manages its networking capabilities and institutional environment factors; all having a direct impact on the export performance of Nigerian Agricultural SME's.

### Conclusions

Findings from the study revealed the following.

- Small business manager's innovative abilities, attention to create entrepreneurial climate and confront with external competitiveness helps to improve business performance.
- Pro-activeness is of particular importance to export and employment oriented SMEs in the developing world.
- There is a significant relationship between entrepreneurial orientation and small-scale business performance in Nigeria.
- Lack of pro-activeness reduced the chances of SMEs to be successful.
- To improve the degree of entrepreneurial orientation, SMEs need to develop their skills and capabilities, as well as internal and external networks and initiate new business opportunities from their external environment.

Based on the results of the analysis of the survey data of the sample of respondents (*Tables 1–3*), we calculated the correlation (*Table 4*).

Table 4

## Correlations

		There is a significant relationship between entrepreneurial orientation and Innovative Performance in Nigeria	There is a significant effect of entrepreneurial orientation on Innovative Performance in Nigeria
There is a significant relationship between entrepreneurial orientation and Innovative Performance in Nigeria	Pearson Correlation	1	.853*
	Sig. (2-tailed)		.000
	N	100	100
There is a significant effect of entrepreneurial orientation on Innovative Performance in Nigeria	Pearson Correlation	.853*	1
	Sig. (2-tailed)	.000	
	N	100	100

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

Source: author computation, 2024.

The correlation coefficient  $R = 0.853$  indicates a strong positive relationship. We therefore conclude that there is a significant relationship between entrepreneurial orientation and Innovative Performance in Nigeria.

Therefore the study concluded that there was a positive significant effect of entrepreneurial orientation on SMEs performance. The implication of the result is that the creation of innovative solutions or new product lines and services, as well as their competitive aggressiveness advancement, are not regarded as an important factor for performance, while the level of autonomy of employees and pro-activeness of entrepreneurs can be assumed to be higher, also implementation of new strategies, plans or investments in new business segments have a positive relationship to a firm's performance, and enterprises is to encourage employees to take risks with new ideas. This research shows that Entrepreneurial orientation is an important tool in creating and developing SMEs performance. EO capabilities are essential for company innovation because EO is linked with a methodology of experimenting with new activities, a desire to take advantage of new products, new markets, and new options and a company's propensity for risky enterprises.

It is therefore, recommended that small and medium sized enterprises should embrace the entrepreneurial orientation dimensions of autonomy, pro-activeness, risk taking, competitive aggressiveness and innovativeness to increase business performance. SMEs operators should adopt autonomy by encouraging employees to be autonomous and be free to take initiative for the best interest of the organization and use periodic appraisal to monitor them based on the result which will increase firm performance. Government of Nigeria should encourage facilitation of workshops and seminars for SMEs operators in order to help their innovativeness and competitive

aggressiveness for better performance. Also, technology incubation centers should be established to nurture entrepreneurship.

Future studies should investigate the interplay of the EO dimensions further, and consider antecedents, moderators, mediators and performance outcomes. Additionally, we recommend taking cultural, situational and psychological factors into consideration, as these factors could explain and verify our results.

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**Conflict of interest.** The authors certify that don't they have no financial or non-financial interest in the subject matter or materials discussed in this manuscript; the authors have no association with state bodies, any organizations or commercial entities having a financial interest in or financial conflict with the subject matter or research presented in the manuscript.

The authors received no direct funding for this study.

The contribution of the authors is equal.

Zekeri A., Kowo S. A., Tunde-Arigbede O. T. Efficiency of small business: the case of Nigeria. *Foreign trade: economics, finance, law*. 2024. No 5. P. 110-126. Series. Economic Sciences. [https://doi.org/10.31617/3.2024\(136\)08](https://doi.org/10.31617/3.2024(136)08)

*Received by the editorial office 16.09.2024.*

*Sent after revision 01.10.2024.*

*Accepted for printing 07.10.2024.*

*Published online 21.10.2024.*