Adapting entrepreneurial orientation for business performance of medium-sized business in South-West Nigeria

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Abstract: Entrepreneurial orientation as a concept has gained the attention of scholars over the last decade. It also became interesting to find out its relationship with business performance in South-West Nigeria. This study set out to find out any measure of influence that entrepreneurship as well as entrepreneurial orientation may assert on the performance of medium size businesses, with South-West Nigeria as the sample location. The results showed that pro-activeness ($\beta = 0.145$), competitive aggressiveness ($\beta = 0.231$), risk-taking ($\beta = 0.087$), and autonomy ($\beta = 0.119$) all had positive regression coefficients while innovativeness ($\beta = -0.028$) had a negative regression coefficient.

Keywords: entrepreneurial orientation, business performance, medium-sized business, family business

1 Introduction

The Nigerian economy is largely dominated by medium-sized businesses and so it is safe to posit that they form the nucleus of running businesses in the country [1–3]. Globally, Ismaila (2012) [4] similarly submitted that most of the enterprises in developed and developing countries are small and medium enterprises (SMEs) in structure. In other words, entrepreneurship as a concept could be argued to have taken a central place as a means of livelihood for middle-class business owners, largely due to increasing attention being devoted to its study by researchers [5]. Interestingly, Rauch et al. (2009) [6] observed that an aspect of entrepreneurship that appeared to have gained wide acceptability and had been centrally domiciled in the discipline in terms of theorizing and empirical study is entrepreneurial orientation. According to Kellermans and Eddleston (2006) [7], entrepreneurship involves recognising and using opportunities, as well as taking risks and accepting changes. In a broad sense, entrepreneurship refers to autonomy, innovation, risk-taking, proactivity, and competitiveness in business processes [8]. It is understood that entrepreneurship and entrepreneurial orientation are two separate concepts. Dess et al. (1997) [9] made a clear distinction by stating that entrepreneurship answers the question of what is being done, while entrepreneurial orientation answers the question of how the process is undertaken.

2 Literature review

The study reviewed relevant literature on key concepts including entrepreneurship, entrepreneurial orientation, and small and medium-scale enterprises.

2.1 Entrepreneurship

It explains an opportunity-seeking action, ultimately tending towards profit-making from such venture(s). The earliest definition as coined by Smith (1776) [10] related entrepreneurship to a deliberate act of risk-taking, amidst uncertainty. Indeed, Cantillon (1755) [11] identified a unique aspect of non-insurable risk borne by an entrepreneur. The process necessarily entails a measure of competence, creative skills, ingenuity, and innovation with a view to creating a competitive advantage. Accordingly, Amiri and Marimaei (2012) [12] and Schumpeter (1934) [13] all posit that the process of effecting change by converting opportunities while bearing the risk of competition, coupled with innovative skills aptly describes entrepreneurship. Essentially, the process is carried out with the aid of manpower and other resources in order to meet the needs of the target market in terms of new products or improved methods of production as well as services. Scholars such as Jennings (1994) [14] and Alarape (2015) [15] painted an entrepreneur as a catalyst who transforms resources including land, capital, and manpower...
Accordingly, productivity and profitability are strong indicators of performance in medium-sized businesses. With the expectation that the catalyst would eventually reap profit for his efforts, often, the process leading to a productive organism could be discrete or instantaneous, and it could as well be gradual in some other instances, depending on the peculiarities of the entrepreneur and the resources at stake. Notwithstanding the varying perspectives from contemporary scholars with regard to entrepreneurship in terms of opportunities, change process or cataclysm, risk-taking, or coordinating efforts, this study accords due recognition to entrepreneurship for its important role in the developmental process of medium-sized businesses in Nigeria. By extension, its contributions to the growth of the national economy are equally recognized.

### 2.2 Entrepreneurial orientation

Literarily, orientation explains a process of training, assimilation or exposure such as imbibing a person with a culture in a specific direction, emplacement or bearing. Entrepreneurial orientation (EO), therefore, could be explained in terms of personal acquisition or conviction in pursuit of a business opportunity, bearing full consciousness of attitudinal risks as well as possible losses or profits as it ultimately turns out. The concept describes a situation whereby an executive institutes new processes, and practices in decision-making in a bid to explore perceived opportunities for the expansion of the business organization. Scholars hold a unanimous view that vital elements in EO include risk-taking, pro-activeness, innovation, autonomy, and a yearning for competitive aggressiveness [16, 17]. Indeed, Soomro and Shah (2022) [18], in a study conducted in Pakistan zeroed EO on three major assumptions including pro-activeness, risk-taking, and innovation, and established a positive relationship between EO and business performance. These qualities enable an entrepreneur or a group of entrepreneurs to initiate a business idea, taking into cognizance the inherent benefits of competitive advantage, having measured the extent of uncertainty in pursuance of creativity as well as experimentation. It presupposes that an entrepreneurially spirited person possesses the capability to scan the business environment for emerging opportunities and take innovative steps towards achieving competitive advantage with a desire for profit. In view of the foregoing, EO construct, with respect to medium-sized businesses would tend in the direction of financial yardsticks. The paramount factors, therefore, would include growth in sales and its attendant return on investment such that the entrepreneur is further encouraged to expand the business, taking due cognizance of consequential risks [6].

### 2.3 Business performance

There is a consensus among researchers that assurance with regard to the going concern of a business entity is contingent upon its performance. In this context, Bohlander et al. (2001) [19] coined the expression “what gets measured and rewarded gets attention”. Performance describes the extent of effectiveness and efficiency in terms of accomplishing pre-determined goals and objectives at the least cost possible. An organization is at liberty to adopt an array of yardsticks for measuring performance including meeting timelines, and surpassing targets, but devoid of sideling quality, innovation or ingenuity, leading to a competitive edge or admirable team spirit [20, 21]. Human resource practitioners hold divergent views about the measurement of business performance. While Torrington, Hall, and Taylor (2008) [22] lean on improved individual behavior as a proxy for performance, scholars such as Sajuyigbe et al. (2013) [23] expressed the view that performance transcends merely altered behavior to include paradigm shift in terms of commitment, dedication and work-finesse towards the business organisation. Therefore, performance within the context of medium-sized organisations could simply be considered tantamount to either increase in sales or an improvement in the method of production such that the business has experienced an expansion by way of stock as well as branches. Accordingly, productivity and profitability are strong indicators of performance in medium-sized businesses. While it remains a truism that several research findings had established a positive correlation between EO and the overall performance of the firm, it is equally important to state that in a few instances, certain factors could negatively affect performance. For instance, in a study conducted by Rezaei and Ortt (2018) [24] on 279 high-tech SMEs in Delft, The Netherlands, a negative correlation was reported between risk-taking and business performance.

### 2.4 Medium-sized business

There exists enough literature on the important role played by medium-sized businesses in the development of host economies across the globe. According to Ihua and Siyanbola (2012) [25], Monday et al. (2015) [26] no less than 90% of the total enterprises in developing countries are small and medium scale (SMEs) in nature, with a significant contribution of over 55% to the gross domestic product (GDP). Much attention is currently being paid to this sector...
with a view to diversifying the economy. Accordingly, there is a paradigm shift from the huge capital intensity and investment with long-term maturity to SMEs in order to empower this sector for national economic growth. A rather simple classification provided by the Small and Medium Industrial Equity Investment Scheme (SMIEIS) of the Bankers Committee and the Central Bank of Nigeria (2001) [27] explains a medium-sized business as one with a total asset base of over N50 million, but not more the N200 million excluding the cost of land and working capital and labor size of between 100 and 300 workers [28]. The conception, design, resources, management, and total configuration of the SMEs are the sole prerogatives of the owner, or rather, the entrepreneur. In their contributions, Ojukwu (2006) [29], Apulu and Emmanuel (2011) [30] as well as Irefin, Abdul-Azeez and Tijani (2012) [31] all affirmed that the contributions of medium-sized businesses were not limited to job creation, but extended to economic growth and development in Nigeria.

3 Methodology

The study concentrated on Lagos, Ogun, and Oyo States out of the 6 constituents States in South West Nigeria with a total of thirty-three thousand, eight hundred and sixty-one (33,861) employees of registered medium-sized businesses in the study area [32].

Primary data, using a structured questionnaire was adopted, seeking respondents to answer specific questions on the entrepreneurial orientation of medium-sized family businesses as well as the performance of the businesses. With the aid of purposive sampling, a total of 384 respondents comprising both management and operational employees were selected for the study. Multiple regression techniques were used to analyze the results. The distribution of medium-sized businesses in South-West Nigeria, its population, and total employees is shown in Table 1.

<table>
<thead>
<tr>
<th>S/N</th>
<th>States</th>
<th>Total Number of Medium-sized Businesses</th>
<th>Total Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ekiti</td>
<td>23</td>
<td>1805</td>
</tr>
<tr>
<td>2</td>
<td>Lagos</td>
<td>257</td>
<td>15826</td>
</tr>
<tr>
<td>3</td>
<td>Ogun</td>
<td>040</td>
<td>1702</td>
</tr>
<tr>
<td>4</td>
<td>Ondo</td>
<td>044</td>
<td>2235</td>
</tr>
<tr>
<td>5</td>
<td>Osun</td>
<td>51</td>
<td>2599</td>
</tr>
<tr>
<td>6</td>
<td>Oyo</td>
<td>176</td>
<td>9695</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>591</td>
<td>33,861</td>
</tr>
</tbody>
</table>

Source: SMEDAN, 2013

4 Findings

The study found that five out of the widely referenced variables commonly used to explain entrepreneurial orientation played a significant role in determining the extent of the relationship between these variables on one hand, and the performance of medium-sized businesses on the other. These variables include pro-activeness, competitive aggressiveness, autonomy, innovativeness, and risk-taking. The distribution explaining the percentage of the relationship between entrepreneurial orientation and medium-sized businesses is shown in Table 2.

With respect to pro-activeness, Table 2 reveals that 47.1% of the respondents strongly agreed that their firm often leads the market competition by initiating actions while 3.4% strongly disagreed. The mean score was $4.21 \pm 0.95$. This implies that family businesses are highly proactive and prompt to initiate ideas with the aim of getting leverage or competitive advantage in the marketplace or leading change in the organization. This agrees with Vij and Bedi (2012) [33] submission that medium-sized businesses continuously monitor the market space with an organisational pursuit of favorable business opportunities. However, Kreiser et al. (2010) [34] argued that medium-sized businesses in “uncertainty-accepting” societies will be more willing to engage and exploit business opportunities than businesses in “uncertainty-avoiding” cultures.

Moreover, Table 2 shows the results for competitive aggressiveness that the majority (74%; SA - 39.6, A - 34.4) of the respondents agreed that the firm adopts a very competitive posture, aiming at overtaking competitors with an agreement index of $4.00 \pm 0.93$. This implies that medium-sized businesses have a fairly strong propensity to compete with rivals. Consequently, in tune with the position of Wiklund (1999) [35] that competitive advantage significantly determines business financial success, the motivation for competitive aggressiveness among medium-sized businesses could be justified since the businesses were created to make a profit.
In addition, the effect of globalisation has put emerging businesses under intense pressure from competitors across the globe, making it imperative for medium-sized businesses to shore up their games or stand the risk of low business performance or even lose their competitive strength in the constantly evolving market [35, 36].

Furthermore, Table 2 revealed that 76.3% (SA – 33.3%; A – 43.0%) of the respondents agreed that medium-sized businesses favors high-risk projects with chances of high returns on an agreement index of 3.00±0.93. This shows that medium-sized businesses invest less in uncertainties as an entrepreneurial inclination. Presumably, medium-sized businesses in their entrepreneurial spirit could invest in failure-prone projects or innovations, but most of them avoid or minimize risk as much as possible. Morris (2008) [37] believe that rather than put organisational resources into extreme and uncontrolled risk, most medium-sized businesses aim at taking moderate and calculated risks.

In the same vein, Table 2 indicated that the majority (84.1%; SA – 50.8%, A – 33.3%) of the respondents agreed that medium-sized businesses place a strong emphasis on research and development (R&D, tech leadership, and innovation while 12% disagreed. The agreement index was 4.29±0.87. The finding corroborates the findings of Antorites and Vanvuuren (2005) that innovation and exploitation of market opportunities, generally lead to profit-making. As necessity is the mother of invention, innovation is the heartbeat of every enterprise. The moment a firm stops to innovate, it risks extinction.

Finally, Table 2 further reveals that 80.2 percent (SA – 40.6%; A – 45.6%) agreed that medium-sized businesses encourage people to think and behave in creative and novel ways with an agreement index of 4.10±0.97. The implication is that medium-sized businesses allow employees to be self-expressive and make informed decisions based on their own rationale. The promotion of entrepreneurial characteristics in medium-sized businesses is best achieved by infusing autonomy organisational diamante for organisational or firm-based entrepreneurship [38]. Medium-sized businesses are sometimes characterized by a measure of delegation due to size [39] which ultimately enhances entrepreneurial tendencies and some level of autonomy among workers [40].

### 4.1 Effect of entrepreneurial orientation on business performance of medium-sized businesses

Regression analysis was carried out to determine the effect of each dimension of entrepreneurial orientation (pro-activeness, competitive aggressiveness, innovativeness, autonomy and risk taking) on business performance. The regression analysis is presented in Table 3. Table 3 shows that pro-activeness ($\beta = 0.145$), competitive aggressiveness ($\beta = 0.231$), risk-taking ($\beta = 0.087$), and autonomy ($\beta = 0.119$) all had positive regression coefficients while...
innovativeness \( (\beta = -0.028) \) had a negative regression coefficient. An important dimension of entrepreneur orientation is the business’s willingness to innovate and rejuvenate its market with creative processes and the development of new ideas through experimentation, such as positively affect business performance [41, 42]. In contrast, however, the result of this study shows a negative regression between innovativeness and business performance among medium-sized family businesses. It can be inferred from this that while businesses may be encouraged to pursue and support innovations, medium-sized family businesses may experience challenges converting innovative ideas into profitable business products, lines, or services. This is further affirmed by Idowu (2013) [28] that organizational innovativeness among SMEs in Nigeria had no relationship or influence on business financial performance. However, the T-values shown in Table 3 reveal that pro-activeness \( (\beta = 0.145, p \leq 0.05) \), and competitive aggressiveness \( (\beta = 0.231, p \leq 0.01) \) are the only dimensions of entrepreneurial orientation that have a significant effect on the business performance of small and medium-sized family enterprises. This implies that the least unit increase in the degree of pro-activeness among medium-sized businesses will lead to an approximately 14.5% increase in business performance. The result is in consonance with Azlin et al. (2014) that pro-activeness is one of the entrepreneurial predictors which affect business performance among SMEs. Moreover, a unit increase in the competitive aggressiveness of family businesses contributes a 23.1% increase to the performance of the business. The result of the study shows that each dimension of entrepreneurship relates to performance in different ways and with varying degrees of effect. This further corroborates Cassilllas et. al., 2010 that a business can show high levels of entrepreneurial orientation in some dimensions but not necessarily in all of them and that each dimension of entrepreneurial orientation can be related to performance in a different way. Similarly, Hughes and Morgan (2007) [43] found that not all dimensions of entrepreneurial orientation have a significant influence on business performance. Hence, not all entrepreneurial orientations will always result in improved business performance. Competitive advantage has the strongest positive effect on business performance as shown in previous studies. It can be inferred that for the medium-sized family business to increase performance, they have to be intensely competitive, ready to take offensive measures against threats by competitors, striving for first mover advantage, and bold enough to take action when faced with opportunities. This is in agreement with Covin and Lumpkin (2011) [44] and Matchaba-Hove et al. (2015) [45].

### 5 Conclusion

The study showed that most of the medium-sized businesses reported pro-activeness, competitive aggressiveness, profit-taking, and innovativeness dimensions as vital elements of entrepreneurial orientation while a larger percentage assumed a risk-aversive orientation. These factors, with the exception of innovativeness, had positive effects on business performance. The more oriented the medium-sized businesses were to innovations, the lesser their performance. Summarily, it was established that entrepreneurial orientation had a positive and significant relationship with the business performance of medium-sized businesses. It becomes important that medium-sized businesses should promote the entrepreneurial competencies of employees by creating structures that support and reward such sterling qualities while working for an existing company or business. The study opines that these medium-sized businesses require institutional support in terms of meaningful investment in infrastructural development in order to provide a conducive business climate that supports innovation.

### References


