

Entrepreneurial Orientation and Small Scale Business Performance (A Theoretical Approach)

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Abstract

In today's dynamic business environment, small-scale businesses play a crucial role in driving economic growth and development, particularly in emerging economies such as Nigeria. However, the performance of these businesses is often hindered by various challenges, including limited resources, intense competition, and poor management practices. In this context, entrepreneurial orientation (EO) has emerged as a key factor that can enhance the performance and competitiveness of small-scale businesses. The purpose of this research work therefore is to examine the effect of entrepreneurial orientation and small scale business performance in Nigeria with a view to ensure that small scale businesses are positively impacted. This study which adopted the desk research approach to critically reviewed concise concepts and theories related to entrepreneurial orientation and small scale business performance in contemporary times to obtain relevant background information relevant to the subject matter at hand. Majority of the information were gathered from secondary source such as the literatures review of other scholar books, Conference proceedings and Academic journals. It concluded that when entrepreneurial orientation is properly designed to concentrate on innovative idea, it will positively and significantly give rise to small business performance. In addition, there was recommended that managers of enterprises should always be ready to embark on their own risk rather than to wait for other organization to attempt a newly introduced technology before they will go into implementation of the process.

Keywords: Entrepreneurial, Innovativeness, Risk-taking, Orientation and Performance.

Background of the Study

Introduction

Majority of researchers have looked into the concept of entrepreneurial orientation (Mason, Floreania, Miani, Beltrame & Cappellento, 2015), such that the concept has become a central concept in the province of entrepreneurship that has received a substantial number of theoretical and empirical attentions. Entrepreneurial orientation could be considered as a new trend for evaluating the performance of start-up businesses (Kraus, Burtscher, Vallaster and Angerer, 2018). Business organisations must always be on search for new opportunities in an environment that is noticed with rapid change and uncertainty because future gains from current procedures are unknown. Entrepreneurial orientation is accepted as a powerful tactical instrument in the competitive corporate world of today. Therefore, businesses may benefit from Entrepreneurial orientation by continually innovating while taking risks with their product-market approaches (Abdelgadir and Sara, 2020).

For many years, the idea of entrepreneurial orientation has become an importance tools for Small enterprises to survive (Etim, Adabu, & Ogar, 2017). Entrepreneurial has been defined as the procedures and decision-making processes used by entrepreneurs to initiate and sustain business operations, as well as the strategy-making processes that give businesses a background for the entrepreneurial decisions and actions of their employees (Mwangi & Ngugi, 2014). Entrepreneurial orientation is proposed by Etim, Adabu, and Ogar (2017) as a group of decision-making processes, procedures, guidelines, and standards that a corporation applies to upgrade its capacity for innovation, initiative, and risk-taking. Going by, Omisakin, Nakhid, Littrell, and Verbitsky, entrepreneurial orientation has also been defined as small medium enterprises ready to innovate, seek out risks, engage in self-directed behaviour, and be more proactive and aggressive than rivals in response to new market opportunities (2016). According to Brettel, Chomik, and Flatten (2015), Entrepreneurial orientation included the identification, assessment, and exploitation of possibilities to launch new goods or services, whereas Asad, Sharif, and Hafeez (2016) ascertain Entrepreneurial Orientation as the yardsticks and guidelines applied to decision-making. The small medium enterprises sector is significant globally since it helps to create jobs and stimulate the economy. Many economies regard small medium enterprises to be their backbone (Wymenga, Spanikova, Barker, Konings& Canton, 2012). The global business scene is dominated by small businesses. More than 95% of businesses worldwide are small and medium-sized

organisations, despite the fact that exact statistics are hard to come by compared to larger businesses, small business enterprises are more likely to use labour-intensive production methods (Bakar & Zainol, 2015). Despite their size, small business enterprises are suffering from the effects of the current trend in the global business environment, which has resulted in intense rivalry. They face competition from inexpensive imports and other countries, as well as a lack of entrepreneurial initiative and inventiveness to spot and seize opportunities to gain a competitive edge, on the local or domestic markets. Due to a lack of EO among entrepreneurs, it was also found that certain countries had more successful entrepreneurial activities (Aziz, Hasnain, Awai, Shahzadi & Afza, 2017).

Entrepreneurial orientation is the company ability to embark on some risky aims in the context of decision making processes. This concept of Entrepreneurial orientation has secured the attention of academics and practitioners overtime because of the growing interest in Small and medium scale enterprises. (Adegbe, 2017) stated that the option to become an entrepreneurial is attached to willingness and orientation but not by opportunity. The value placed on entrepreneurial orientation is based on the fact the whole world is fast following up with enterprises and entrepreneurship. Therefore, understanding entrepreneurial orientation is very important as business owners are considered to have the propensity to be innovative, make strategic decisions autonomously, take risk to compete aggressively and act proactively to achieve the stated business objectives (DeepBabu & Manalel, 2016). It is very vital to update entrepreneurial competencies in order to perform better in this globally competitive environment (Khan, Rathore & Sial, 2020). This study is necessitated to understand the importance of Entrepreneurial orientation and how it has contributed success to the development of most small scale businesses in Benin, Edo-State.

Statement of Problem

In Nigeria today, there is an increase in the development of small scale enterprises because they contribute a vital role to the economy development. Although, most of these small business enterprises are facing numerous challenges like insufficient capital, technology and social changes (Adegbe, 2017). Further, Adegbe advised that with all these existing problems the business owners should adjust their existing strategies to conform to the current market situation in order to achieve business success.

Objectives of the Study

The general objective of this study is to examine the influence of entrepreneurial orientation and the performance of small business enterprises while the specific objectives are:

1. To examine the influence of “innovativeness” on the performance of small business enterprises
2. To ascertain the effect of “pro-activeness” on the performance of small business enterprises

Significance of the Study

Policymakers can use the findings to inform initiatives that support small-scale businesses, such as training programs, funding opportunities, and mentorship schemes also it provides valuable insights for researchers, practitioners, and policymakers.

The research will contribute to the development of methodologies for studying EO and business performance also it will provides a comprehensive understanding of its impact on business performance, economic development, and social well-being.

Conceptual Review

Conceptualizing Entrepreneurial Orientation

The concept of entrepreneurial orientation was first proposed by Miller (1983) as involving three dimensions which are innovativeness, pro-activeness and risk-taking. Entrepreneurial orientation is the art of creating incremental wealth through the pursuit of lucrative ideas and venture. The concept has attracted the attention of academics and practitioners for many years due to increasing interest in small and medium scale enterprises development. Going by Mthanti and Ojah(2017), the choice to become an entrepreneur linked to the willingness and orientation but not by chance. Alarape (2014) viewed EO as a behavioural construct at the firm level that is closely linked to strategic management and explains the processes, practises, and decision activities that lead to new entry in the quest of utilising opportunities in the market or modifying its environment is a three-dimensional construct of (1) innovativeness, (2) risk-taking, and (3) proactiveness. This is consistent with research (Anlesinya, Eshun, & Bonuedi, 2015; Anderson et al., 2009; Covin & Miller, 2015; Fabian, Francisco, Conejo and Lawrence, Cunningham 2018; Sciascia et al., 2013) on the connection between EO and performance of SMEs. Similar to this, Lomberg, Urbig, Stöckmann, Marino, and Dickson (2016) conceptualised the three key aspects of entrepreneurial

orientation as innovation, risk-taking, and pro-activeness, highlighting the fact that an entrepreneurial firm is one that engages in product market innovation, makes moderately risky bets, and is the first to come up with „proactive“ innovations, beating competitors to the punch. Since then, the scholarship has utilised these three dimensions constantly (Covin & Wales, 2012; Covin & Miller, 2014).

Wales et al. (2013): defined Entrepreneurial orientation as a firm's strategic orientation that reflects its willingness to innovate, take risks, be proactive, and engage in competitive aggressiveness and autonomy. Wales et al. (2013) provided an in-depth analysis of Entrepreneurial Orientation and its relationship with firm performance. According to their research, entrepreneurial orientation is a key driver of business success, encompassing dimensions such as:

- Innovativeness: A firm's willingness to engage in creative processes and experimentation, leading to new products, services, or processes.
- Pro-activeness: A firm's ability to anticipate and respond to market changes seizes opportunities, and stay ahead of competitors.
- Risk-Taking: A firm's willingness to invest in uncertain ventures, takes bold actions, and adapt to changing market conditions.

Lumpkin and Pidduck (2020): Introduced the concept of Global Entrepreneurial Orientation (GEO), which provides an updated, multidimensional view of EO.

Fritz and Davis (2020) sees entrepreneurial orientation as a conceptualized set of distinct but related behaviours that have the qualities of innovativeness, Risk-taking and autonomy.

Adegbe (2017) defined the concept of entrepreneurial orientation as the ability to creatively deliver goods and services to customers allowing independent creativity, investing in lucrative future ideas by taking risk, anticipating future demands by been proactive and compete seriously to obtain competitive advantages

Conceptualising Business Performance

The concept of business performance has been expressed in many areas of research as a yardstick for the success of any business venture overtime (Adegbe, 2017). Normally, performance is viewed from different perspective grounded on the context of diverse indicators (Lumpkin & Dess, 1996; Stam, Souren & Elfring, 2013). From organisational viewpoint, performance helps to disclose the values delivered to customers and shareholders (Wu & Zhao, 2009). Effendi, Hadiwidjojo and Noermijati (2013) proposed five indicators which are – Ability to build and maintain relationship with customers, provision of quality product, product at affordable price for customers, adequate

inventory and efficient delivery of product/services. From the literature reviewed it is revealed that performance indicator is grouped into subjective and objective performance measures (Adegbe, 2017). According to DeepBabu & Manalel, (2016), subjective measures are built on the managers views about the business position on profitability, market share, employees growth as opposite to competitors in the same industry (DeepBabu & Manalel, 2016). Objectives measures relate to published profitability and market share figures of businesses in an industry. Hosman, (2012) noted that performance is often measured using one or the combination of the following dimensions: perceived financial, perceived non financial and archival financial. Most small scale business are unwilling to divulge financial information of their business, therefore most times, subjective measures which is perceived financial and non financial are always use to measure business performance

Entrepreneurial Orientation and Business Performance

Entrepreneurial orientation is never a negotiable thing for small and medium scale enterprises that really want to grow in competitive business environment (Adegbuyi, Olade, Iyiola, Ogunaike, Ibidunni & Fadeyi (2018). Small scale business must seriously adopt entrepreneurial orientation to increase their performance through their innovation, pro-activeness and risk taking which include the generation of new ideas and its application as in the form of developing new products or services which will later lead to growth in the market share of an organisation the creation of profitability. For a small scale enterprise to be successful, it must attempt riskier projects even if it results in going away from the methods or product that has favoured other businesses (Oyedijo, 2015). The idea of seeing entrepreneurial orientation as a stimulant to small scale enterprises performance involves the combination of three dimension of innovativeness which is concerned supporting and encouraging new ideas, experimentation and creativity likely to result in new products, services or processes (Miller & Friesen, 2010; Ibidunni, Ogunnaike & Abiodun, 2017). Similarly, the idea of pro-activeness means being the first initiator and other actions directed to quest to secure and protect market shares (McCann, 2011). Risk taking has to do measuring the extent to which individuals different in their willingness and ability to take risk (Lumpkin and Dess, 2014). Regular product innovation is very important in nowadays competitive environment (Adegbuyi. 2018). Accordingly, Adamu suggests that inventions and new ideas should be encourage even when their gains are not directly known, because if the new idea becomes successful, it will lead to high market share, profits and project the company to greater levels. Therefore, innovation request that company or firms should do away from current technologies

and practices and embark on new ways of doing their own things (Osabuohien & Efobi, 2012). Proactiveness as a tendency to performance signifies a firm predisposition to recognize and embark on new opportunities (Okafor, 2015). In furtherance by Okafor, he stated that a proactive firm closely monitors industry trends, identify the future needs of existing customers and predict changes in demand or potential problems that could lead to a new business venture.

Regarding to risk-taking, Kerr and McDougall (2009) proposed that the concept concerning business entities is the willingness to take planned risks. Firms embark on risks for higher market share and better profits returns and such risks involved accruing high debt, committing large amount of resources, introducing entirely new products into new markets and investing in unfamiliar technologies (Lumpkin & Dess 2014). Risk-taking, by its nature is surrounded with vulnerabilities and uncertainties therefore, it is advised that firms should be vigilant so that risk can give a firm competitive advantage and higher market share (Adegbuyi, 2018).

Entrepreneurial Orientation (EO) and Profitability

Past empirical studies on Entrepreneurial Orientation have yielded conflicting findings, according to various academics (Miller, 2014). Entrepreneurial orientation is crucial for a company's competitive advantage and profitability (Miller, 2014). In a study of the impact of entrepreneurial orientation on the performance of Kenya's small and medium-sized agro-processing firms, Wambugu, Gichira, and Wanjau (2016) found that, despite being viewed as a uni-dimensional construct in predicting firm performance, entrepreneurial orientation had a positive and statistically significant impact on firm profitability. Anlesinya, Eshun, and Bonuedi (2015) discovered no correlation between entrepreneurial inventiveness and profitability of micro companies that operate in the retail sector of Ghana, but that pro-activity and risk-taking had a substantial beneficial impact on profitability. Studies by Rubera and Kirca (2012) also shown that, in the context of profitability, a firm's innovativeness has an impact on its financial position. The idea of EO has drawn significant attention in empirical research across a range of fields. It can be classified according to the areas it concentrates on, such as the product, market, process, and/or business system, and can be described along various dimensions, such as newness or novelty (Mukutu, 2017). A important component of an organization's long-term survival is innovation, according to empirical research on the relationship between innovation and company performance and development. Additionally, it has been suggested by a number of studies that innovative organisations have greater growth than others (Nybakk&Jenssen, 2012).

Having reviewed all the theories, this particular research work will anchor itself on the underneath theories because of their values to the work in the sense that researchers can gain a deeper understanding of the resources and capabilities that drive entrepreneurial success and identify strategies for improving business performance.

Theoretical Review

Resource based theory:

This study chose the resource-based theory over other theories because it gave a more solid foundation for investigating how entrepreneurial orientation affects the performance of small and medium-sized businesses. Wernerfelt (1984) and Barney (1991) are RBV proponents in their work on company resources and sustainable competitive advantage. According to the notion, in order to maintain a competitive advantage over other companies, a corporate organisation must possess valuable, uncommon, unique, and non-substitutable resources. The resource-based view, developed under the theory of the firm, defines a business as the accumulation of strategically significant resources in which everything is taken into account. It is possible to determine the advantages of long-term competitive strength by looking at choices, the leader, culture, values, random events, and other factors.

Since the analysis of an entrepreneur's values in terms of initiative, risk-taking, and autonomy has emerged as one of the most significant estimation tools in the past ten years for enterprise performance, competitive strength, and innovation, resource-based views are frequently linked to entrepreneurial orientation performance and growth.

Theory of Reasoned Action (TRA) by Fishbein & Ajzen 1975:

This is aimed at comprehending behavioural tendency to predict outcomes (Al-alak & Alnawas, 2010). The set of assumptions inherent in the theory is hinged on the basis of an individual consideration of self-violation, self-action in deciding to get involved or not in a particular behaviour. Hence, the cause of one's behaviour is the behavioural intent, which is reliant on attitude formation toward embarking on such an act, in addition to subjective norm around such an individual. This intent is an indication that both attitude and subjective norms significantly differ in individuals as pointed out by Ajzen

Empirical Review

Adegbe (2017) investigate the individual impact of entrepreneurial Orientation dimensions; Autonomy; Innovativeness; Risk-taking; Competitive aggressiveness and Pro-activeness on small business performance in Nigeria.. The findings which was analysed using correlation and multiple regression analysis, indicated that pro-activeness, and risk- taking, among other variables have significant impact on small business performance while innovativeness does not have significant impact on small business performance.

Shah and Ahmed (2019) investigated the role of entrepreneurial orientation and performance of small and medium sized enterprises with the mediating affects of differentiation strategy in Pakistan using 166 middle and senior level managers within the small medium enterprises in the manufacturing sector as sample size. The outcome which were analysed via a structural equation model found that pro-activeness and risk-taking strongly increased firms' performance, whereas innovativeness among other variables did not cause any significant change in firms' performance.

Abdelgadir and Sara (2020) examined EO's influence on Sudanese telecoms companies. Innovativeness, pro-activeness, risk-taking, competitive aggression, and autonomy—traditionally monolithic attributes—are EO traits. Businesses have been evaluated using subjective financial and non-financial indicators. To gather data for the study, a sample of respondents from the four Sudanese telecommunications companies—Zain, Sudani, MTN, and Canar completed a self-administered questionnaire. EO substantially impacts Sudanese telecoms firms' performance. This study supports the link between EO and corporate performance in an environment that hasn't been extensively explored.

Methodology

This study employs a conceptual research design, aiming to explore the relationship between entrepreneurial orientation and small-scale business performance through a comprehensive review of existing literature on entrepreneurial orientation. The study relies on secondary data sources which include Academic journals, Books, Conference proceedings. The goal is to develop a deeper understanding of the concepts, relationships, and theoretical frameworks underlying entrepreneurial orientation and its impact on business performance

Conclusion

This research study was established to investigate the effect of entrepreneurial orientation on small scale business performance. The study looks into some entrepreneurial orientation variables such as innovativeness, Pro-activeness and Risk-taking propensity to ascertain small business performance. On the general assessment it is important to conclude that entrepreneurial orientation is positively impacting on small business performance.

Specifically, the study concluded that when entrepreneur adequately concentrate on innovative ideas it will positively and significantly engender small business performance

The study also concluded that being pro-active is a pre-condition for small business performance

Finally it is being concluded that Risk-taking propensity might affect small business performance but such effect may not have a significant impact

Recommendation

In line with the research study the following recommendations have been proposed for small business entrepreneurs

- (1). Managers of small business enterprises should strive to be highly innovative and develop new trends to outwit competitors
- (2). Managers of small business should strive to be pro-active in taking business decisions because this will enable them to withstand any business obstacles before-hand
- (3). Managers of enterprises should always ready to adopt risk and not to wait for others to first tried out newly introduced technology as this will position them as second fiddle

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