

EFFECT OF ENTREPRENEURSHIP ORIENTATION ON BUSINESS GROWTH OF SMEs IN SOUTH-WEST NIGERIA

¹IPINSAGBA, Olajide Emmanuel, ²ABBAH, James Idoko Edache, ³AHMED, Abdullahi Ibrahim & ⁴PAUL, Vincent

^{1,2,3}Department of Business Administration, Nasarawa State University, Keffi

⁴Department of Entrepreneurship, Nasarawa State University, Keffi

neatex@yahoo.com, edacheabbah@nsuk.edu.ng, ibrahimahmedabdullahi@nsuk.edu.ng

& vincentpaul@nsuk.edu.ng

Abstract

This study examines the effect of entrepreneurial orientation (EO) on the growth of small and medium-sized enterprises (SMEs) in South-West Nigeria, employing a causal research design. Data were collected through a structured five-point Likert scale questionnaire from a sample of 518 SME owners/managers who had been in business for at least 36 months, with responses analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that the dimensions of EO, specifically innovativeness and proactiveness, have a significant positive effect on SME growth in South-West Nigeria, enhancing business performance, competitiveness, and market expansion. However, the study found that risk-taking did not significantly affect SME growth in the region, suggesting that SMEs in South-West Nigeria tend to be more risk-averse. Based on these findings, the study recommends that SME owners prioritize innovation and proactive market strategies to drive growth, while adopting a more cautious approach to risk-taking. Additionally, policymakers should focus on creating an enabling environment that supports innovation and proactive behaviors, ensuring long-term sustainability and success for SMEs in the region.

Keywords: Entrepreneurial Orientation, Proactiveness, Risk-Taking, Innovativeness, SMEs Growth

INTRODUCTION

Entrepreneurship has emerged as a pivotal driver of economic growth and development across the globe, with Small and Medium Scale Enterprises (SMEs) playing a critical role in this landscape. These enterprises significantly contribute to job creation, innovation, and wealth generation in both developed and developing economies (Hisrich et al., 2017). The entrepreneurial orientation of SMEs, characterized by proactiveness, innovativeness, risk-taking, and competitive aggressiveness, has been widely recognized as a key determinant of their growth and success. In particular, this orientation shapes how SMEs identify and exploit business opportunities, adapt to market changes, and position themselves competitively within their industries.

In Nigeria, one of Africa's largest economies, SMEs are a vital component of the economic ecosystem, driving substantial activity across sectors such as agriculture, manufacturing, services, and technology (Edeh et al., 2020). The country boasts a vibrant entrepreneurial culture; however, Nigerian SMEs face numerous challenges that hinder their growth. These include limited access to finance, inadequate infrastructure, regulatory bottlenecks, and stiff market competition. The South-West region, encompassing states like Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti, stands out as a hub of SME activity due to factors like proximity to major ports, urbanization, a skilled labor force, and, in some areas, a supportive business environment (Ojo & Adeyemo 2024). Nonetheless, SMEs in this region continue to grapple with infrastructure deficits, inconsistent policies, and limited market access, which can impede their expansion and sustainability.

Understanding the influence of entrepreneurial orientation (EO) on SME growth in South-West Nigeria is crucial for stakeholders, including policymakers, business support organizations, and entrepreneurs. EO encompasses strategic behaviors and attitudes such as innovation, proactive market trend identification, risk management, and competitive positioning, which are vital for enhancing SME performance (Diabate et al., 2019; Dias et al., 2021). Studies indicate that a strong entrepreneurial orientation can significantly improve an SME's capacity for innovation, market adaptability, and sustained competitive advantage, thereby boosting long-term success (Akomea et al., 2023). Le Roux and Bengesi (2014) highlight that key elements like innovativeness, risk-taking, and proactiveness are essential

within the EO framework, enabling SMEs to thrive in dynamic business environments. As such, exploring the role of EO in shaping the growth trajectories of SMEs in South-West Nigeria can provide valuable insights for fostering a more resilient and prosperous entrepreneurial ecosystem.

The state of SMEs in South-West Nigeria is marked by a blend of challenges and opportunities. On one hand, the region boasts a vibrant entrepreneurial spirit, with SMEs making significant contributions to the local economy across sectors like agriculture, manufacturing, services, and technology. However, these enterprises often encounter obstacles such as limited access to finance, inadequate infrastructure, regulatory barriers, and fierce market competition, which can hinder their growth and limit their ability to scale both locally and globally. Addressing these challenges is crucial, as they can stifle the potential of SMEs to drive economic development.

Proactiveness, innovativeness, and risk-taking are crucial dimensions of entrepreneurial orientation that can significantly enhance the growth and sustainability of SMEs, particularly in dynamic environments like South-West Nigeria. Proactiveness, as defined by Day-Calder (2017), involves a forward-thinking approach where organizations set goals, plan proactively, and stay ahead of market trends, enabling them to seize emerging opportunities and mitigate risks effectively. Innovativeness, according to Taatila (2012), is the capacity to generate novel ideas, products, or processes, which helps organizations differentiate themselves in the market, meet evolving customer needs, and gain a competitive edge. Risk-taking, highlighted by Zhang et al. (2021), involves the willingness to embrace uncertainty and pursue strategic opportunities, recognizing both potential downsides and rewards. By integrating these elements, SMEs can enhance their adaptability, drive innovation, and achieve long-term growth. This study aims to explore how these entrepreneurial orientation factors proactiveness, innovativeness, and risk-taking impact key SME growth metrics such as revenue expansion, market share, profitability, and sustainability, thereby contributing to the desired outcome of a thriving and resilient SME ecosystem in South-West Nigeria.

Small and Medium-sized Enterprises (SMEs) play a vital role in the economic development of South-West Nigeria, contributing significantly to job creation (Oyelana & Adeyemo, 2016), poverty reduction (Olawale & Garwe, 2010), and overall economic growth. However, these businesses face numerous challenges, including a lack of trust, weak partnerships (Idonije et al., 2022), and a harsh regulatory environment. Moreover, a dearth of entrepreneurial orientation (EO) characterized by low levels of autonomy, proactiveness, innovativeness, risk-taking, and competitive aggressiveness (Ayeni-Agbaje & Osho, 2015; Al-Mamary & Alshallaqi, 2022) significantly hinders the growth and sustainability of SMEs in the region. Other obstacles include inadequate access to finance, poor infrastructure, and a reluctance among entrepreneurs to embrace innovation and pursue strategic growth opportunities (Ayanda, 2016; Ogunleye & Akinlabi, 2015). These challenges often lead to high failure rates, preventing many SMEs from progressing beyond the initial startup phase (Fatoki, 2012) and stifling their potential impact on the broader economy.

While research suggests a positive relationship between EO and SME growth (Adeyemi & Aremu, 2020; Olufemi et al., 2018), existing studies often provide generalized conclusions without adequately considering the unique socio-economic and cultural context of South-West Nigeria. Factors such as regulatory constraints, cultural norms, and infrastructural deficiencies (Olanrewaju, 2019; Akanji & Salau, 2017) may significantly influence the effectiveness of EO in this specific region. This lack of context-specific analysis creates a significant gap in the literature (Adegbite & Ismail, 2017). By investigating the effect of EO on the business growth of owner-managers of SMEs in South-West Nigeria, this study aims to address this gap and provide valuable insights that can inform targeted interventions to enhance SME performance in this crucial economic sector.

Based on the foregoing, the following hypotheses were stated in null form to guide the study:

- H₀₁:** There is no significant effect of proactiveness on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.
- H₀₂:** Risk-taking has no significant effect on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.
- H₀₃:** Innovativeness has no significant effect on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.

LITERATURE REVIEW

Entrepreneurship Orientation

Entrepreneurial orientation (EO) is a multifaceted concept that reflects a firm's strategic behavior and decision-making processes aimed at entering new markets and pursuing business opportunities. According to Hu et al. (2023), EO embodies a strategic posture that guides how companies identify and capitalize on market opportunities. This concept emphasizes behaviors centered around innovativeness, proactiveness, and a willingness to seize market opportunities. Firms with a strong EO are characterized by their proactive approach to recognizing emerging trends, willingness to take calculated risks, and strategic focus on leveraging entrepreneurial opportunities for growth.

Expanding on this, Wach et al. (2023) define EO as a firm's strategic orientation that encompasses three core dimensions: innovativeness, proactiveness, and risk-taking propensity. Innovativeness reflects a company's capacity to introduce new ideas, products, or processes, thereby fostering a culture of creativity and differentiation. Proactiveness, on the other hand, involves anticipating market trends and being the first to capitalize on emerging opportunities, giving firms a competitive edge. The risk-taking dimension underscores a firm's readiness to embrace uncertainty and take calculated risks in pursuit of strategic advantages, enabling firms to explore uncharted territories and gain market leadership. Covin and Wales (2019) further highlight the dynamic nature of EO, emphasizing that it not only involves identifying opportunities but also nurturing an environment that supports innovation and calculated risk-taking.

For this study, entrepreneurial orientation is defined as a strategic posture that embodies a firm's inclination towards innovativeness, proactiveness, and risk-taking to achieve competitive advantage and enhance performance (Prakash & Manchanda, 2021). This definition aligns with Kreiser et al. (2013), who view EO as a strategic stance enabling firms to adapt to changing market conditions and introduce transformative innovations. Gupta et al. (2016) add a market-focused perspective, suggesting that EO also involves being customer-centric, innovative, and proactive in addressing market needs. By adopting a robust EO, firms can leverage their strategic behaviors to not only gain competitive advantages but also sustain superior performance in dynamic and competitive markets. Thus, this study aims to explore how these dimensions of EO innovativeness, proactiveness, and risk-taking affect the growth and sustainability of SMEs in South-West Nigeria.

Proactiveness

Proactiveness, as defined by Haddad & Jamieson (2019), involves taking the initiative and being anticipatory rather than merely reactive. It reflects a mindset where organizations actively seek solutions and opportunities instead of waiting for them to present themselves. Within the scope of entrepreneurial orientation (EO), proactiveness has garnered significant attention in entrepreneurship research, as emphasized by scholars like Basco et al. (2020), and Isichei et al. (2019). This dimension of EO is crucial for guiding firms to quickly seize emerging opportunities, allowing them to gain a competitive advantage as industry pioneers. By adopting a proactive stance, businesses can stay ahead of their competitors, thereby positioning themselves as leaders in their respective markets.

Proactiveness empowers organizations to better understand customer needs, innovate products, and efficiently introduce them to target markets, as highlighted by Chaston (2017). This proactive approach allows firms to anticipate customer preferences and adapt to changing market dynamics, thereby

fostering sustained growth and competitive differentiation (Isichei et al., 2020). By identifying and acting on emerging trends before competitors, proactive businesses can capture market share, enhance customer satisfaction, and establish a resilient market presence. Proactiveness thus involves not just reacting to current market conditions but anticipating future shifts and preparing strategically to capitalize on those changes, ultimately contributing to a firm's long-term sustainability and success.

For this study, proactiveness within the framework of entrepreneurial orientation is defined as a forward-looking strategic mindset where businesses take initiative to anticipate market trends, future challenges, and opportunities, thereby positioning themselves to act ahead of competitors (Paulus & Hermanto, 2022; Kapaya et al., 2018). This proactive approach involves a commitment to strategic foresight and the ability to navigate uncertainties by capitalizing on emerging trends, whether related to products, technologies, or consumer demand. By maintaining a proactive attitude, firms can enhance their ability to innovate, adapt to changing market environments, and sustain competitive advantages.

Risk-Taking

Risk-taking, as defined by Zhang et al. (2021), involves a willingness to embrace uncertainty and potential losses while pursuing new opportunities, acknowledging that not all outcomes can be predicted or controlled. This dimension of entrepreneurial orientation (EO) plays a significant role in influencing organizational behavior, particularly in how firms approach decision-making under uncertain conditions. Scholars like Covin and Wales (2019), Kreiser et al. (2013), and Wang et al. (2021) emphasize the importance of risk-taking as an indicator of a firm's readiness to accept strategic and financial uncertainties, such as entering unexplored markets or launching innovative products. The willingness to take risks highlights a firm's commitment to growth and competitiveness, driven by the understanding that higher risks often come with the potential for higher rewards.

Entrepreneurial firms are often distinguished by their higher tolerance for risk compared to more traditional businesses (Linton & Kask, 2017). These risk-inclined firms demonstrate flexibility in adjusting their strategies to seize emerging opportunities, thereby enhancing their profitability and market presence (Putnins & Sauka, 2019). However, successful risk-taking requires careful and informed decision-making, where risks are meticulously evaluated against potential benefits. Firms that excel in risk management adopt strategies to mitigate adverse effects while maximizing positive outcomes, which is essential for fostering innovation and sustainable growth. This proactive approach allows businesses to venture into new territories with the confidence to adapt and pivot as needed.

For the purpose of this study, risk-taking is defined as a proactive strategic behavior where firms willingly engage in uncertain ventures with the aim of achieving competitive advantage and growth (Paulus & Hermanto, 2022; Lechner & Gudmundsson, 2014). This entails not just a readiness to face uncertainties but also a structured approach to evaluating risks and opportunities. Effective risk-taking is characterized by a balance between courage and caution—entrepreneurs are willing to allocate resources, explore new opportunities, and develop competencies to navigate uncertain environments. By adopting a strategic risk-taking posture, SMEs can enhance their ability to innovate, differentiate themselves in the market, and achieve sustained growth, particularly within the dynamic and competitive landscape of South-West Nigeria.

Innovativeness

Innovativeness, as described by Taatila (2012), refers to an organization's ability to generate novel ideas, products, or processes that provide value and address existing challenges in unique and creative ways. This capability is crucial in shaping organizational behavior, driving significant transformations in entrepreneurial success, and enhancing overall performance. Scholars like Covin and Wales (2019) and Zhou et al. (2020) highlight the pivotal role of innovativeness in fostering product-market innovation. By embracing innovativeness, firms can introduce fresh offerings, adopt new technologies, and

implement creative solutions that differentiate them from their competitors, thus positioning themselves for sustained growth.

Paulus and Hermanto (2022) expand on this by defining innovativeness as creativity supported by a company's infrastructure to introduce groundbreaking offerings, particularly through advancements in research and development. This definition underscores the proactive approach organizations must take in creating an environment that nurtures creativity and supports the continuous development of novel solutions. Zulkifli and Rosli (2013) emphasize that innovation encompasses a broad range of activities, not limited to product development but also extending to process improvements and business model innovations. This holistic view of innovation highlights the need for firms to be agile and adaptable in evolving market landscapes, ensuring that their innovative capabilities lead to competitive advantage and resilience.

For the purpose of this study, innovativeness is defined as a strategic orientation focused on leveraging creativity to develop new products, processes, or services that meet emerging market needs and foster business growth. This perspective aligns with the views of Hussain et al. (2015) and Diaz and Sensini (2020), who argue that innovativeness is essential for business survival, competitive positioning, and long-term sustainability. Firms that prioritize innovativeness are better equipped to adapt to shifting customer preferences, capitalize on new opportunities, and maintain their relevance in rapidly changing industries. Thus, within the context of entrepreneurial orientation, innovativeness is a key driver of differentiation and success, enabling SMEs in South-West Nigeria to achieve a sustainable competitive edge.

SME Growth

SME growth is a multifaceted process that encompasses the expansion of business operations, enhancement of market presence, and attainment of sustainable development. According to Agostini et al. (2019), this growth involves strategic initiatives such as innovation, productivity improvements, and effective management practices that drive businesses from the startup phase to maturity. Owusu et al. (2019) emphasize that SMEs must navigate through various growth stages by making informed decisions on resource allocation, market adaptation, and organizational development. This journey is not merely about increasing the scale of operations but also optimizing internal processes, launching new products or services, and successfully penetrating target markets to enhance competitiveness and financial success. Further expanding on this concept, Stam (2015) highlights that SME growth is characterized by scaling operations, exploring new markets, and creating value through efficient resource utilization and adaptive leadership. Scaling involves expanding production capabilities, widening distribution networks, and enhancing organizational competencies to meet increasing demand. Market exploration allows SMEs to diversify their revenue streams, reducing reliance on a single market and mitigating risks associated with market concentration. Value creation is driven by continuous innovation, effective response to market dynamics, and the ability to deliver superior customer satisfaction, which collectively improve the firm's competitive edge. Otache (2024) adds that growth also requires maintaining an entrepreneurial spirit and agility, enabling SMEs to adapt swiftly to changing market conditions while sustaining a trajectory of expansion in sales, profits, and market share.

For the purpose of this study, SME growth is defined as the strategic and operational efforts undertaken by small and medium-sized enterprises to expand their size, increase market share, and improve profitability through innovation, market adaptation, and efficient resource management. This growth is not solely reflected in financial metrics but also in the enhancement of organizational capabilities, competitiveness, and sustainability. As suggested by Krzakiewicz & Cyfert (2019) and Miocevic & Morgan (2018), SME growth involves a blend of internal development such as innovation adoption and capability building and external strategies, like market expansion and diversification. This comprehensive approach ensures that SMEs not only thrive in existing markets but also capture new opportunities, thereby contributing to broader economic development and sectoral growth.

Empirical Review

Proactiveness and SMEs Growth

Various studies have explored the relationship between entrepreneurial orientation (EO) and SME performance, revealing both significant contributions and context-dependent findings. Amin (2015) examined the impact of EO and learning orientation on the performance of SMEs in Malaysia, particularly in the electronic and electrical sectors, and food and beverage industries. The study found that dimensions of EO—such as innovativeness, proactiveness, and risk-taking—were positively related to SME performance when learning orientation was treated as an essential factor for survival. However, since the study was conducted in Malaysia, its findings may not be applicable to SMEs in South-West Nigeria. Similarly, Irikefe and Bagobiri (2022) investigated the effects of EO dimensions on small enterprise performance in Abuja, Nigeria. They found that while autonomy was insignificant, innovativeness, proactiveness, and risk-taking had significant effects on business performance. Again, this study was localized to Abuja, and its results might not be generalized to SMEs in other regions, such as South-West Nigeria.

Risk-Taking and SMEs Growth

Herlinawati et al. (2019), Etim et al. (2017), and Neneh and van Zyl (2017), explored similar themes in different contexts, with varying results. Herlinawati et al. (2019) studied the manufacturing SMEs in West Java, Indonesia, finding a positive influence of EO dimensions on business performance. However, they noted low levels of EO and business performance, suggesting that SMEs in this region face challenges in applying EO effectively. Etim et al. (2017), focusing on Lagos, Nigeria, found that EO, particularly innovation and proactiveness, significantly impacted the survival of SMEs. However, this study used regression analysis, while the present study utilizes PLS-SEM, indicating that the findings may not be directly comparable. Neneh and van Zyl (2017) found that proactive innovation was positively associated with sales growth in South African SMEs, but again, this finding may not extend to South-West Nigeria due to regional and sectoral differences.

Innovativeness and SMEs Growth

Albasri (2020) and Aloulou (2018) explored the role of dynamic capabilities and EO in enhancing SME performance in Saudi Arabia, revealing the critical role of proactiveness and dynamic capabilities in improving SME outcomes. These studies highlight the importance of context, as their findings may not be applicable to SMEs in South-West Nigeria, which face different challenges and opportunities. Rogo et al. (2023) conducted research in Kano, Nigeria, and found that competitive aggressiveness, innovativeness, and risk-taking positively impacted SME performance, while proactiveness and autonomy had negative effects. This suggests that EO's influence on performance is not only region-specific but also varies depending on the local business environment. Hence, while these studies contribute valuable insights, their findings may not fully reflect the dynamics of SMEs in South-West Nigeria.

Dynamic Capability Theory

Dynamic capability theory, initially proposed by David J. Teece, Gary Pisano, and Amy Shuen in 1997, emerged as a response to the limitations of resource-based view (RBV) theory. RBV primarily focuses on static resources and capabilities, neglecting the dynamic nature of the business environment. Teece et al. (1997) argued that firms must possess the ability to adapt, integrate, and reconfigure their resources and capabilities to create, deploy, modify, upgrade, or reconfigure existing resources and capabilities to address rapidly changing market conditions. This ability to change is what they termed "dynamic capabilities."

At the heart of dynamic capability theory lies the idea that firms must be able to sense and seize opportunities, as well as reconfigure their internal and external competencies to remain competitive. Teece et al. (1997) identified three primary processes: (1) sensing, which involves identifying and assessing opportunities and threats in the external environment; (2) seizing, which entails mobilizing and

deploying resources to capture emerging opportunities; and (3) reconfiguring, which refers to the ability to alter and rebuild resource bases to adapt to changing conditions. Subsequent research has expanded on these processes, incorporating dimensions such as learning, innovation, and strategic decision-making (Eisenhardt & Martin, 2000).

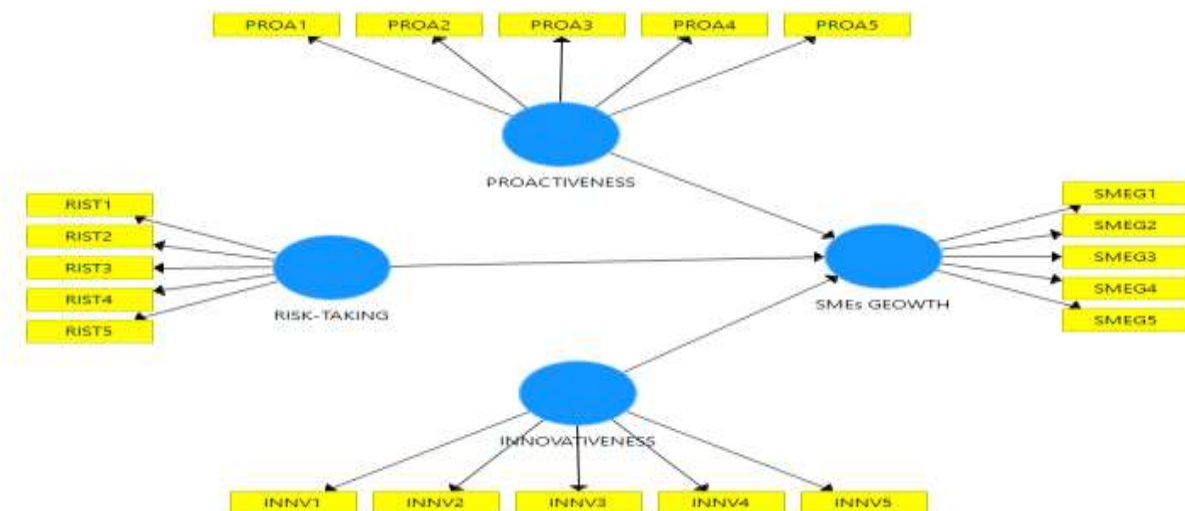
Dynamic capability theory offers valuable insights for SMEs in Southwest Nigeria, particularly in the face of rapid technological advancements, globalization, and intense competition. By developing strong sensing capabilities, SMEs can identify emerging market trends, anticipate customer needs, and proactively adapt their business models. Seizing capabilities enable SMEs to leverage their resources and competencies to exploit identified opportunities, such as entering new markets, developing innovative products, or forming strategic alliances. Reconfiguration capabilities allow SMEs to adjust their organizational structures, processes, and resource allocation to align with changing market demands and maintain a competitive edge.

METHODOLOGY

This study utilized a survey research design to investigate the effect of entrepreneurship orientation on SME's growth in in South-West, Nigeria. Data was gathered through a structured questionnaire employing a five-point Likert scale. The study's population comprises of small and medium-sized firms (SMEs) that operate in South-West region and are also registered by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). According to the SMEDAN/NBS MSME Survey Report (2021), the total population of small and medium-sized business owners in Soth-West is 277,270. The owners/managers chosen for the study are those who have been owners/managers of their respective SMEs for at least (thirty-six) 36 months. This condition which influenced the choice of sampling technique is important because of the nature of the dependent variables. The study sample size of 399 was determined using Yamane's (1973) sample size determination formula, 30% was added 518 so as to ensure a minimum return of 399 copies of questionnaire.

The study data was collected through a structured likert scale questionnaire of five point with items adapted from the work of Hornsby,et al (2002), Calantone et al. (2002), and Oni et al (2019). The questionnaire was distributed electronically through research assistant. Convenience sampling was employed for data collection, facilitating accessibility to respondents. Analysis of the collected data was conducted using Partial Least Structural Equation Modeling (PLS-SEM), incorporating both the measurement and structural model aspects, allowing for a comprehensive examination of the research hypotheses and relationships within the study framework. The model of study is specified below: -

Figure 1: Theoretical model on the Study



RESULT AND DISCUSSION

The Measurement Model

In assessing the measurement model, the outer loadings are assessed first, and as a rule loading above 0.70 are accepted as they indicate the construct explains more than 50% of the indicator's variance, thus providing acceptable item reliability (Hair et al 2017).

Figure 2: Indicator Outer Loadings

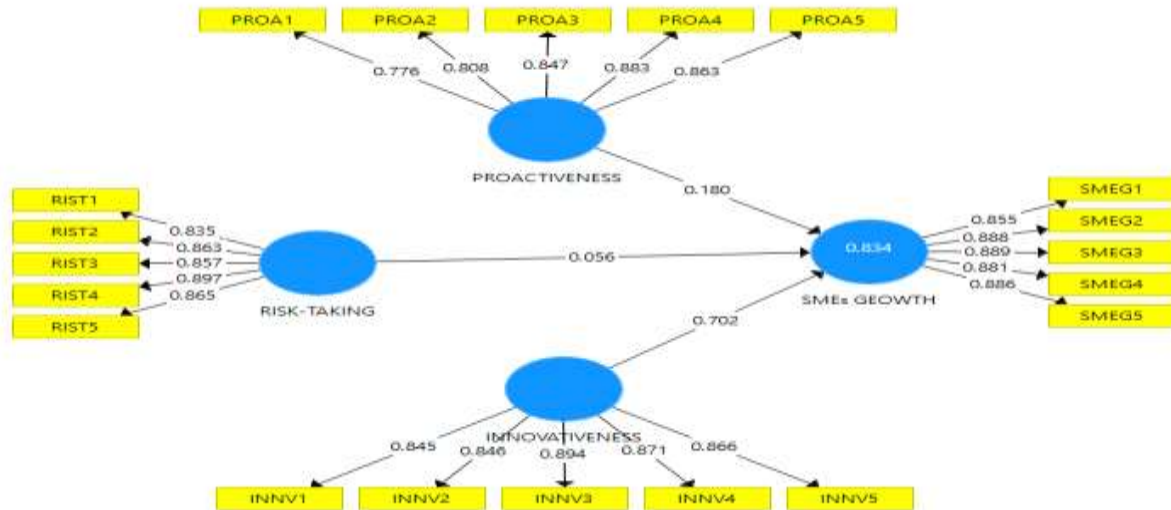


Table 1: Reliability of Study Scale

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
INNOVATIVENESS	0.915	0.916	0.937	0.747
PROACTIVENESS	0.892	0.896	0.921	0.699
RISK-TAKING	0.915	0.916	0.936	0.746
SMEs GROWTH	0.927	0.928	0.945	0.775

Source: SmartPLS Output 2024

The study demonstrated strong internal consistency, as evidenced by composite reliability measures that all exceeded the recommended threshold of 0.70, confirming robust consistency within the constructs (see Table 1). Similarly, Cronbach's alpha values were above the minimum accepted criterion of 0.70, as suggested by Hair et al. (2017), further supporting the reliability of the study's measures. Convergent validity was confirmed through the average variance extracted (AVE), with all variables showing values above 0.50, indicating that each construct explained at least 50% of the variance in the study items, thus confirming satisfactory convergent validity.

Table 2: Heterotrait-Monotrait Ratio (HTMT)

	INNOVATIVENESS	PROACTIVENESS	RISK-TAKING	SMEs GROWTH
INNOVATIVENESS				
PROACTIVENESS	0.778			
RISK-TAKING	0.343	0.691		
SMEs GROWTH	0.569	0.468	0.583	

Source: SmartPLS Output 2024

Table 2 presents the Heterotrait-Monotrait Ratio (HTMT) analysis, which assesses discriminant validity among the constructs. The HTMT values between constructs are all below the recommended threshold

of 0.85, indicating satisfactory discriminant validity. Specifically, the HTMT values are 0.778 between innovativeness and proactiveness, 0.343 between innovativeness and risk-taking, 0.691 between proactiveness and risk-taking, 0.569 between innovativeness and SMEs growth, 0.468 between proactiveness and SMEs growth, and 0.583 between risk-taking and SMEs growth. These results suggest that each construct is sufficiently distinct from the others, thereby supporting the model's discriminant validity.

The Structural Model

In assessing the structural model, the standard assessment criteria was consider which include the path coefficient, t-values, p-values and coefficient of determination(R^2), the bootstrapping procedure was conducted using a resample of 5000.

Figure 3: Estimated Path Model

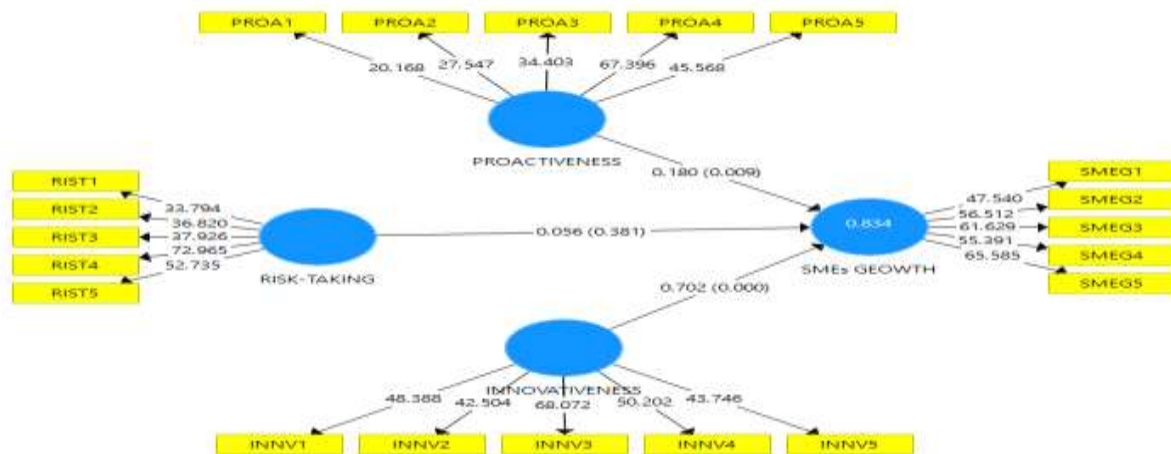


Table 3: Path Coefficient

		Path coefficient Beta**	T Statistics	P Values	Decision
INNOVATIVENESS	-> SMEs GROWTH	0.702	13.102	0.000	Rejected
PROACTIVENESS	-> SMEs GROWTH	0.180	2.624	0.009	Rejected
RISK-TAKING	-> SMEs GROWTH	0.056	0.876	0.381	Accepted

Source : SmartPLS Output 2024

Test of Hypotheses

Hypothesis 1: There is no significant effect of proactiveness on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.

The path coefficient for proactiveness on SMEs growth is 0.180, with a T-statistic of 2.624 and a p-value of 0.009. Since the p-value is less than the significance level of 0.05, the null hypothesis (HO1) is rejected. This indicates that proactiveness has a significant positive effect on the growth of SMEs in South-West Nigeria.

Hypothesis 2: Risk-taking has no significant effect on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.

The path coefficient for risk-taking on SMEs growth is 0.056, with a T-statistic of 0.876 and a p-value of 0.381. Since the p-value is greater than 0.05, the null hypothesis (HO2) is accepted. This means that risk-taking does not have a significant effect on the growth of SMEs in South-West Nigeria.

Hypothesis 3: Innovativeness has no significant effect on the growth of small and medium scale enterprises (SMEs) in South-West Nigeria.

The path coefficient for innovativeness on SMEs growth is 0.702, with a T-statistic of 13.102 and a p-value of 0.000. Given that the p-value is well below 0.05, the null hypothesis (HO3) is rejected. Therefore, innovativeness has a strong and significant positive impact on the growth of SMEs in South-West Nigeria.

Table 4: R² and Predictive Relevance

	R ²	Q ² (=1-SSE/SSO)
SMEs Growth	0.834	0.639

Source: Smart PLS Output 2024

Table 4 presents the R² and Q² values for the construct of SME growth. The R² value of 0.834 indicates that 83% of the variance in SME growth is explained by the model, suggesting a high level of explanatory power, the remaining 17% variation could be explained by other factors. The Q² value of 0.639, calculated as 1-SSE/SSO, demonstrates predictive relevance, as it is greater than zero. This implies that the model has good predictive accuracy for SME growth, confirming that the constructs of proactiveness, risk-taking and innovativeness are significant predictors of SME growth in South-West Nigeria.

Discussion of Findings

The study on the effect of entrepreneurial orientation (EO) on the business growth of owner-managers of SMEs in South-West Nigeria specifically examined the roles of three key EO dimensions: innovativeness, proactiveness, and risk-taking. The findings indicated that innovativeness had a strong, positive impact on SME growth, aligning with previous studies such as Amin (2015) and Etim et al. (2017), where innovation was crucial for SME performance in Malaysia and Lagos, Nigeria, respectively.

This suggests that SMEs in South-West Nigeria benefit significantly from introducing new products, services, or processes, driving growth through creative and differentiated offerings. This dimension's strong influence underscores the need for owner-managers to prioritize innovation to stay competitive in a dynamic market environment.

Regarding proactiveness, the study also found a significant positive effect on SME growth, consistent with the findings of Irikefe and Bagobiri (2022) in Abuja, Nigeria, and Neneh and van Zyl (2017) in South Africa. This result highlights that SMEs in South-West Nigeria that actively seek market opportunities, anticipate future demand, and stay ahead of competitors tend to experience better business growth. The significant impact of proactiveness in this region suggests that an anticipatory approach to market changes and customer needs is critical for sustaining growth, reinforcing the importance of strategic foresight among SMEs.

In contrast, risk-taking did not show a significant effect on SME growth in South-West Nigeria, which diverges from some of the prior studies, such as Rogo et al. (2023) in Kano, Nigeria, where risk-taking positively influenced performance. This discrepancy may be attributed to the specific economic and cultural context of South-West Nigeria, where SMEs might be more conservative due to economic uncertainties or limited access to financial resources, leading to a lower appetite for risk. Unlike in more stable or resource-rich regions where risk-taking can yield higher returns, SMEs in South-West Nigeria might prioritize stability over high-risk ventures. Thus, the study suggests that while innovativeness and proactiveness drive growth, risk-taking may not be as beneficial in this particular regional context.

CONCLUSION AND RECOMMENDATIONS

The study investigated the effect of entrepreneurial orientation (EO) on the business growth of owner-managers of SMEs in South-West Nigeria, focusing on three core dimensions: innovativeness, proactiveness, and risk-taking. The findings revealed that both innovativeness and proactiveness significantly contribute to SME growth, highlighting the critical role of creativity, market foresight, and

proactive strategies in enhancing business performance. However, risk-taking did not show a significant effect on growth, suggesting that SMEs in South-West Nigeria may be more risk-averse due to regional economic uncertainties and limited financial resources. These results underscore the importance of context-specific strategies, indicating that while certain dimensions of EO are universally beneficial, their effectiveness may vary based on regional factors. Therefore, the study concludes that SMEs in South-West Nigeria can achieve substantial growth by emphasizing innovation and proactive market engagement, while a cautious approach to risk-taking may be more suitable in this economic environment.

Based on the study findings, the following recommendations were made:

1. To leverage the benefits of proactiveness, owner-managers should focus on market research and trend analysis to anticipate changes in consumer preferences and industry dynamics. Implementing strategic planning workshops and continuous learning programs can enhance SMEs' ability to identify and capitalize on emerging opportunities, thereby driving sustained growth.
2. Given the non-significant impact of risk-taking on SME growth in the region, it is advisable for SMEs to adopt a measured approach to high-risk investments. Instead, they should focus on calculated risks with a clear understanding of potential outcomes. Policymakers and financial institutions can support this by offering risk mitigation tools, such as insurance schemes and accessible financial services, to encourage balanced risk-taking without jeopardizing business stability.
3. SMEs in South-West Nigeria should prioritize innovation by investing in research and development, adopting new technologies, and fostering a culture that encourages creative problem-solving. Government agencies and industry stakeholders can support these efforts by providing grants, training, and incentives for innovation-driven projects, which can help SMEs maintain a competitive edge in their respective markets.

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