EFFECT OF ENTREPRENEURIAL ORIENTATION ON SMALL AND MEDIUM SCALES ENTREPRISE (SMEs) PERFORMANCE IN NORTH CENTRAL NIGERIA.

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Abstract
This study examined the effect of entrepreneurial orientation on SMEs performance in North Central, Nigeria. The study adopted the survey research design of which questionnaires were administered to a sample of (400) SMEs in North Central, Nigeria. The responses were analyzed using the smart PLS-SEM. It was found that innovativeness had a negative and significant effect while risk-taking and competitive aggressiveness has a positive and significant effect on SMEs performance in North Central, Nigeria. It was recommended that the managers of SMEs SMEs should align their innovation efforts with their strategic goals and market demands. This requires recognizing customer pain points, predicting market trends, and developing innovative solutions that effectively address these needs. Additionally, management should foster a culture that empowers employees to take calculated risks, innovate, and pursue new opportunities without fear of repercussions. This can be achieved by rewarding entrepreneurial initiatives and encouraging open communication. Lastly, SMEs should consistently conduct market research to understand customer preferences, monitor competitor activities, and anticipate industry trends.
Key Words: Entrepreneurial orientation, innovativeness, risk-taking, and competitive aggressiveness, Performance.

INTRODUCTION
In the current modern economic era, the economic growth of both developed and developing countries is mainly driven by entrepreneurship. Entrepreneurship is one of the most dynamic phenomena in the economy, but it can change under the influence of globalization and crises (Hayat & Riaz, 2021). The existence of Small and Medium Enterprises (SMEs) has been recognized as a strategic sector to generate high economic growth, reduces unemployment, equalize income and reduces poverty. Given the important role of SMEs as the backbone of the national economy, it is necessary to conduct in-depth studies to improve the entrepreneurial orientation of the perpetrators (Rose, et al. 2016). The era of globalization has been a concern for companies in various industries. Globalization has resulted in foreign goods to flow easily into domestic industries. Further, not only goods, but also human resources and other capitals flow to the domestic industries. Globalization makes very tight competitions unavoidable for companies, especially Small and Medium Enterprises (SMEs). SMEs of Nigeria are not only competing with SMEs owned by Nigerian entrepreneurs but also foreign-owned companies located in Nigeria (George & Marino, 2020).

Entrepreneurial Orientation (EO) is considered the important concept for the firm strategy making. The spread of globalization has created a competitive business environment, which has affected the way entrepreneurs create and sustain their business operations and strategies. Entrepreneurial orientation has therefore been seen as a key driving force for a free-market economy that enhances SMEs performance (Sheng & Chien, 2015). The construct of EO has been discussed extensively in entrepreneurship literature. Small scale business firms need dynamic capabilities that enable them to sense and seize new opportunities and renew the existing market base. It is proposed that entrepreneurial behavior constitutes a potential source of competitive advantage and key to success factors of SMEs (Marino, 2022).

Statement of the Problem
Small and Medium Enterprises (SMEs) serves as live wire to economic development of any developed and developing countries in the world due to the important role it plays in creation of job opportunity and poverty alleviation. Despite their importance, there has been deficient in SMEs performance, which is characterized by high mortality rates, limited growth, and low levels of innovation and competitiveness. A survey by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in (2019)

found that only about 20% of SMEs in the country survive past the first five years of operation. As reported by the Nigeria Employers' Consultative Association (NECA) has it that about 80% of SMEs in Nigeria shut down within their first five years of operation. This is in conformity with a study by the Nigeria Bureau of Statistics (NBS) and the United Nations Development Programme (UNDP) in (2021) which revealed that the failure rate of SMEs in Nigeria is as high as 60-80% within the first three to five years. This underperformance poses a serious challenge to the region's economic stability and growth potential, to which this study seeks to X-ray and provide understanding on the effect of entrepreneurial orientation on SMEs performance in North Central Nigeria.

Objective of the study

The main objective of the study is to examine effect of entrepreneurial orientation on SMEs performance in North Central Nigeria. While the specific objective is to:

i. Examine effect of innovativeness on SMEs performance in North Central Nigeria.
ii. Ascertain the effect of risk-taking on SMEs performance in North Central Nigeria
iii. Evaluate the effect of competitive aggressiveness on SMEs performance in North Central Nigeria.

Research Hypotheses

The following formed the research hypothesis of the study.

Ho₁ Innovativeness has no significant effect on SMEs performance in North Central Nigeria.

Ho₂ Risk-taking has no significant effect on SMEs performance in North Central Nigeria.

Ho₃ Competitive aggressiveness has no significant effect on SMEs performance in North Central Nigeria.

LITERATURE REVIEW

Entrepreneurial Orientation

Wales et al. (2021) refers to entrepreneurial orientation as the strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions. noted that strategy making is "important, in terms of the actions taken, the resources committed, or the precedents set, entrepreneurial orientation represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, EO may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage.

Rezaei and Ortt (2018) defined entrepreneurial orientation as a business-level planned positioning that highlights the firm's strategy making procedures, management ideologies, and entrepreneurial firm behaviours. It is also shown as the process through which small enterprises or large companies gain entry into a new market. Entrepreneurial orientation as a critical factor for organizational success, leading to higher performance. Organizations with higher levels of EO are also expected to outperform those with lower levels of EO.

Sharma and Durand (2017) Posited that entrepreneurial orientation can be product-market innovation, takes on relatively risky projects and is the first to come up with proactive ideas, beating competitors to the punch. They further note that the three primary elements of EO as innovativeness, risk taking, and proactivity, which are frequently combined to form a higher-order indication of firm-level entrepreneurship. They also postulated that the three characteristics of EO viz. innovation, pro-activeness, and risk-taking, acted together to constitute a fundamental, unidimensional strategic orientation and should be aggregated together while doing entrepreneurship research.

Innovativeness

Mahmood and Hanafi (2021) state that innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R & D in new processes. Risk taking involves taking bold actions by venturing into the unknown, borrowing heavily and/or committing significant resources to ventures in uncertain environments.

Lyon (2020) refers to innovativeness as the degree that an organization willing to innovate the processes of business operation. It is an organizational approach that refers to implementing new ideas that lead to product and service innovation. Innovativeness allows the firm to avail of new opportunities, fulfills consumers' needs through new products and services, and be the first mover in the industry.

Risk-taking

Rauch et al. (2020) refers to risk-taking as the tendency of an organization to take initiatives and perform activities, the results of which are uncertain. He states that entrepreneurs' internal locus of control and desires drives risky ventures. From the perspective of SMEs, entrepreneurs' risk-taking is associated with a greater degree of SMEs performance. asserted that risk-taking propensity and its effects vary at organizational and structural levels due to organizational goals and objectives. Further, they argue that risk-taking is an inherent trait of entrepreneurs because they want higher growth and performance of the business.

Wijetunge (2018) defined risk-taking propensity as the perceived probability of receiving rewards associated with the success of a situation that is required by the individual before he will subject himself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation. Courage of taking a risk reflects a tendency to spend resources for activities or projects with substantial prospect of failures, but they will yield great profit if successful. It is the willingness and readiness to commit resources (own or borrowed) to pursue identified market opportunities that have a reasonable possibility of losses.

Competitive aggressiveness:

Brettel et al. (2021) defined competitive aggressiveness as the intensity of a firm's efforts to outperform industry rivals and taking them head on at every opportunity is defined as competitive aggressiveness. It is characterized by a strong offensive posture, which is directed at overcoming competitors. They further suggested that competitive aggressiveness is accomplished by setting ambitious market share goals and taking bold steps to achieve them, such as cutting prices and sacrificing profitability.

Al Mamun and Fazal (2018) refers to competitive aggressiveness as the efforts a business makes to outperform its rivals. It is the firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position: to outperform industry rivals in the marketplace, this is characterized by responsiveness in terms of confrontation or reactive action. It also helps an entrepreneur to extend market place.

Innovativeness and SMEs Performance

Nwankwo and Ezeibe (2021) investigate the influence of innovation on SMEs Performance in Onitsha. Survey research design was adopted with a sample size of 294 SMEs operating in Onitsha. Questionnaire was used for data collection. Data was analyzed using SPSS. The result revealed there is a positive and significant Influence of Innovation on SMEs Performance. The study thus concludes that entrepreneur need to be innovative especially in the area of product development, business process and marketing in order to remain competitive in their business environment.

Mohamed and Abdikarim (2020) examine the impact of innovation on small and medium scale enterprises performance: empirical evidence from Hargeisa, Somaliland. Survey research was adopted. A sample of 378 SMEs has been drowning from the population of 6930. The study adopted both descriptive and regression analyses to estimate the impact of innovation. The study reveals that innovation significantly affects the performance of SMEs in Hargeisa. The study recommends that SMEs in Hargeisa should adopt all kinds of innovations, and at the same time, improve the existing innovation practices.

Risk-taking and SMEs Performance

Barton (2022) examined effect of risk-taking and the performance of SMEs in some selected organization. The study adopted a survey research design. A sample size of 400 employees was selected from the organization. Questionnaire was used for data collection and data were analyzed using the descriptive statistics, correlation statistics and inferential statistics. The study found a positive and significant effect of risk-taking on employee's performance. The recommended that organization should embrace risk-taking as it the key to discover creativity and as such, it should be considered accordingly for better performance.

Langfred (2021) investigated the effect of risk-taking on SMEs performance in Kisii town, Kenya. The study employed both descriptive survey and explanatory research designs and targeted a population of 368 employees of purposively selected hotels. The data was analyzed using descriptive and inferential statistics while multiple regressions were used to test the hypotheses. The results indicated that risk-taking significantly affect organizational performance. The study thus recommends that the management should formulate policies that will ensure that taking risk to invest and initiate new things within the organization is encouraged.

Competitive Aggressiveness and SMEs Performance

Edinen (2021) investigated the effect of competitive aggressiveness on Small and Medium Scale Enterprises (SMEs) growth using selected registered SMEs in north central States, Nigeria. This study adopted a survey research design. The population used for this study was 13,378 registered SMEs in the six states in North-Central and FCT-Abuja. The sample size of 388 was determined for the study using the Taro Yamane formula to select the respondents for the study. The study utilized a questionnaire as the instrument for data collection. PLS-SEM was used to analyze the data gathered for this study. The study found that competitive aggressiveness is positive but insignificantly affect SMEs' growth (GRW) in North Central, Nigeria. Thus, the study recommended that SME owners and managers exercise autonomy to make decisions to help them achieve their corporate visions and compete aggressively to gain sustainable advantage and grow their firms.

Agbo et al. (2018) examined the impact of competitive aggressiveness on Women entrepreneurship in the development of Lagos state. An empirical survey was conducted with a longitudinal data of women via secondary data from the National Bureau of Statistics and SMEDAN. Data were analyzed using linear regression with the aid of the Stata software. Findings revealed that women entrepreneurship positively and significantly influence development in Lagos state. The study recommended that more easy access to finance should be given by Lagos state government encourage more women in entrepreneurial activities.

Innovative Theory of Entrepreneurship

Innovation as a theory of entrepreneurship is accredited to Schumpeter (1934) and it is also called Schumpeterism (Wood, 2005). Innovation is the prime driver of economic progress as Schumpeter recognized it. Entrepreneurs create many of the innovations that shape our lives in small and medium scale businesses (Kickul, et al. 2001). According to Schumpeter (1934), innovation is the major force behind entrepreneurship. He further argues that Every growth-oriented venture is a function of innovation and without innovation, the theory of entrepreneurship does not exist. To buttress more on his point, he proposed that: "in part it (bourgeois society) appeals to, and in part it creates, a schema of motives that is unsurpassed in simplicity and force. The promises of wealth and the threats of destitution that it holds out, it redeems with ruthless promptitude where ever the bourgeois way of life asserts itself sufficiently to deem the beacons of another social world. These promises are strong enough to attract the large majority of supernormal brains and to identify success with business. The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, new processes and new merchant. The new markets, and the new forms of industrial organization that capitalist enterprise creates - innovation is what entrepreneurship is all about (Schumpeter, 1934).

The Innovative Theory of Entrepreneurship plays a crucial role in understanding the dynamics of small and medium-sized enterprises (SMEs), their entrepreneurial orientation, and overall performance. This theory emphasizes the significance of innovation as a driving force behind entrepreneurship, highlighting the ability of entrepreneurs to create new ideas, products, or processes that effectively meet market needs. For SMEs, innovation is not merely an advantage; it is often a core competency essential for survival and growth. Unlike larger corporations, SMEs typically operate with limited resources, making their capacity for innovation a critical factor in navigating competitive markets. The Innovative Theory suggests that the success of these enterprises hinges on their ability to innovate effectively and adapt swiftly to changes, enhancing their agility and flexibility.

Entrepreneurial orientation, which encompasses a firm's strategic posture characterized by proactivity, risk-taking, and a strong emphasis on innovation, is closely aligned with the principles of the Innovative Theory. Firms that exhibit a high entrepreneurial orientation are more likely to pursue innovative strategies, which can significantly impact their performance. By embracing new ideas and taking calculated risks, these SMEs can capitalize on emerging opportunities, setting themselves apart from their competitors.

The relationship between innovation, entrepreneurial orientation, and performance is well-documented. Innovative SMEs tend to achieve better market competitiveness, leading to improved financial outcomes. Research has shown a positive correlation between innovative practices and financial success, with firms that prioritize innovation often experiencing higher sales and profitability. Moreover, a strong focus on innovation contributes to long-term sustainability, enabling SMEs to adapt to evolving market conditions and changing consumer preferences.

METHODOLOGY

The study adopted a survey research design. The population of the study consists of (130,862) registered SMEs in North Central, Nigeria. The sample size of (400) was determined using Taro Yamane (1968) sample determining formula. Convenience sampling techniques was used and the procedure involved selecting participants based on their availability and willingness to participate to enable the collection of data. The study used primary data. Data were collected using a 5-point Likert scale structured questionnaire. The data collected were analyzed using smart-PLS SEM.

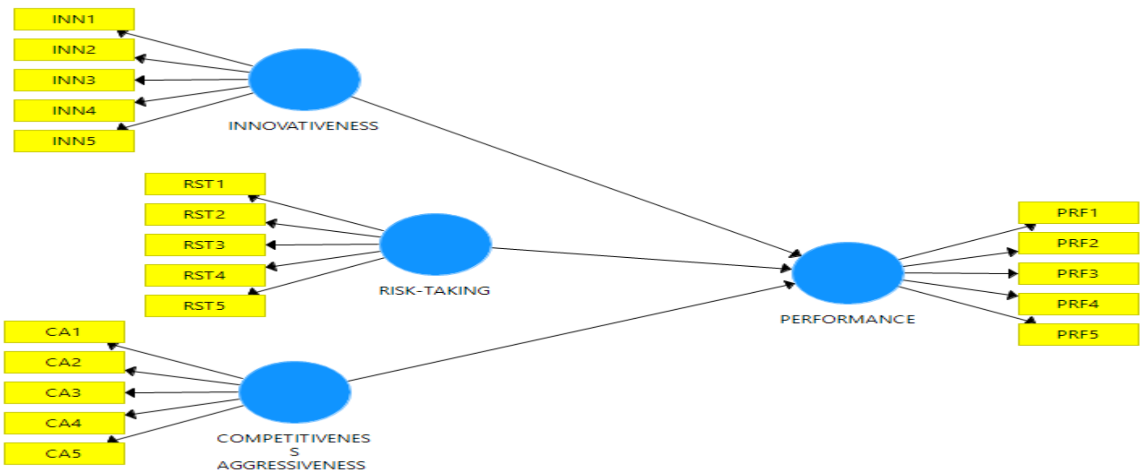

Figure 1: Study Model

RESULTS AND DISCUSSION

Table 1.1: Reliability of study scale

S/N	Variables		Factor Loadings	Cronbach Alpha	Composite Reliability	Rho A	Average Variance Extracted (AVE)	No of Items
1	Innovativeness (INN)	INN1 INN2 INN3 INN5	0.872 0.762 0.867 0.757	0.835	0.844	0.888	0.667	4
2	Risk-taking (RST)	RST1 RST3 RST4 RST5	0.638 0.778 0.840 0.817	0.770	0.773	0.854	0.596	4
3	Competitive Aggressiveness (CA)	CA1 AC3 AC4 AC5	0.727 0.791 0.800 0.800	0.788	0.800	0.861	0.609	4
4	Performance (PRF)	PRF1 PRF3 PRF4 PRF	0.713 0.721 0.929 0.918	0.838	0.844	0.895	0.684	4

Source: SmartPLS Output, 2024

Composite reliability of Jöreskog's (1971) was applied to test for the internal consistency of the items. All the values fall within the Hair, et al., (2019) rating of good consistency. The Cronbach alpha value was above 0.60 which is the minimum threshold as recommended by Sekaran (2010). To test for the convergent validity, the average variance extracted (AVE) was used. All the latent variables showed values greater than 0.50 which indicates that the constructs explain at least 50 percent of the variance of its items. According to Henseler et al., (2015), the Fornell-Larcker criterion does not perform well when explaining discriminant validity, particularly when the indicator loadings on a construct differ only slightly. As a replacement, they proposed the Heterotrait-Monotrait (HTMT) ratio of the correlations which is the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct (Voorhees et al., 2016). Discriminant validity problems are present when HTMT values are higher than 0.90 for structural models (Henseler, et al., 2015).

Table 2 Heterotrait-Monotrait Ratio (HTMT)

	Innovativeness	Competitive Aggressiveness	Risk-taking	Performance
Innovativeness				
Competitive Aggressiveness	**0.815**			
Risk-taking	**0.801**	**0.825**		
Performance	**0.528**	**0.817**	**0.773**	

Source: Smart PLS Output, 2024

Model Goodness of Fit (GoF)

Sequel to the need to validate the PLS model, there is a need to assess the goodness of fit of the model as Hair, et al. (2017) suggested. This study used the standardised root mean square residuals (SRMR). The choice of this index was based on the fact that the SRMR provides the absolute fit measure where a value of zero indicates a perfect fit. The study adopted Hu & Bentler's (1998) suggestion that a value of less than 0.08 represents a good fit while applying SRMR for model goodness of fit. The study result indicates an SRMR value of 0.01. This indicates the model is fit.

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which was considered include the path coefficient, t-values, p-values, and coefficient of determination (R^2). The bootstrapping procedure was conducted using a resample of 5000.

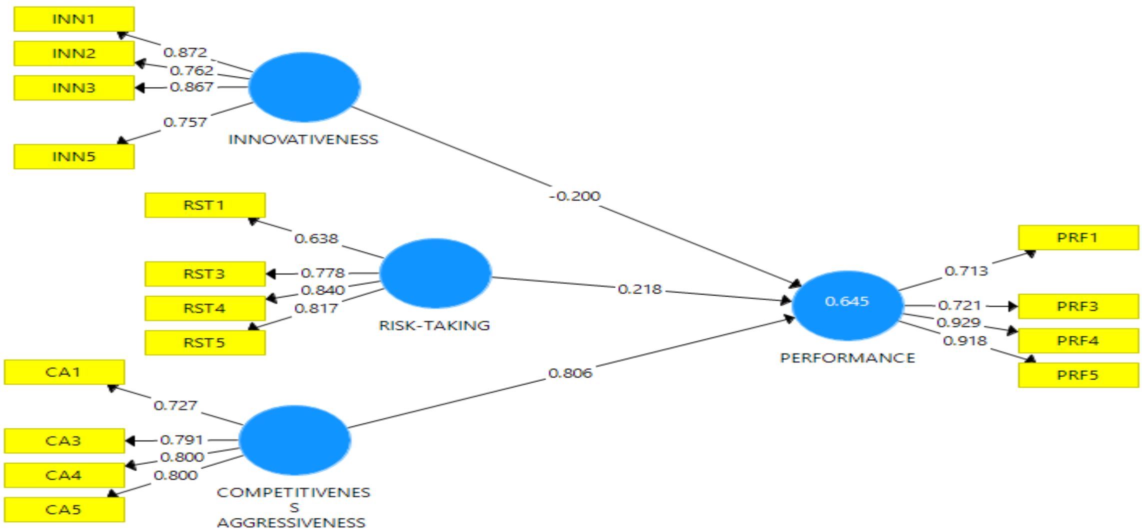

Fig. 3: Path Coefficients of the Regression Model

The R-square value stood at 64%, indicating that entrepreneurial orientation represented by innovativeness, risk-taking, and competitive aggressiveness are responsible for 64% variation in the SMEs growth. The remaining 36% variation could be explained by other factors not included in the study. Based on Hair, et al., (2019), the R-square is considered suitable and lends credence to the study's findings. The result of the path analysis is presented in the table below.

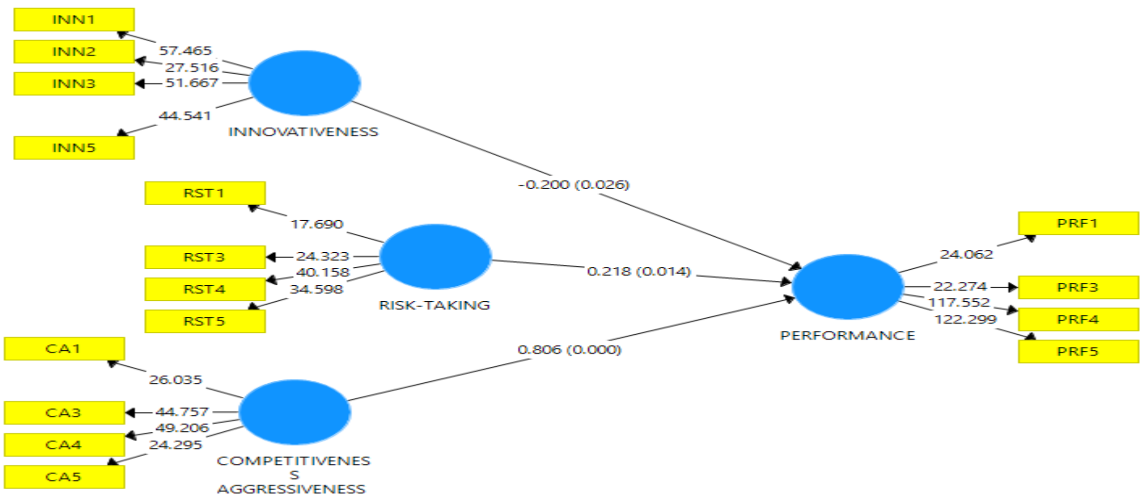

Table 3.1: Path Coefficients

Hypothesis	Variable	Path Coefficient ***(Beta)	t-value	p-value	Findings
Ho$_1$	Innovativeness	-0.200	2.228	0.000	Rejected
Ho$_2$	Risk-taking	0.218	2.474	0.026	Rejected
Ho$_3$	Competitive Aggressiveness	0.086	12.129	0.014	Rejected

Source: Smart PLS Output, 2024

Results from Table 3.1 above shows that innovativeness has a negative and significant effect on SME performance. The decision was reached based on the t-value of 2.228, a beta value of -0.200 with a p-value of 0.000. implying that misaligned innovation efforts, where new ideas or practices do not meet market demands or customer expectations. The null hypothesis has sufficient grounds to be rejected and as such the alternate hypothesis which states that innovativeness has no significant effect on SME performance is accepted.

The second hypothesis shows a positive and significant effect of risk-taking on SME performance. The decision was reached based on the t-value of 2.474, a beta value of 0.218 with a p-value of 0.026. implies that the need for a measured approach to risk-taking, ensuring that risks are strategic, calculated, and aligned with organizational capacities and market conditions. The implication is that the null hypothesis has sufficient grounds to be accepted and as such the alternate hypothesis which states that risk-taking on has a significant effect on SME performance is accepted.

Finally, result from the analysis strongly suggest that competitive aggressiveness have a significant and positive effect on SMEs performance. The decision was reached based on the t-value of 12.129, a beta value of 0.806 and a p-value of 0.000 implying that an organizations or individual's proactive and bold actions to outmaneuver rivals, secure market share, and capitalize on opportunities. As such, the null hypothesis lacks sufficient grounds to be accepted, and as such the alternate hypothesis which states that competitive aggressiveness has no significant effect on SME performance is accepted.

CONCLUSION AND RECOMMENDATIONS

Based on the findings above, the study concludes that innovation, risk-taking, and competitive aggressiveness are key motivators for SMEs performance in North Central Nigeria. Therefore, the study recommends that SMEs should align their innovation efforts with their strategic goals and market demands. This requires recognizing customer pain points, predicting market trends, and developing innovative solutions that effectively address these needs. Additionally, management should foster a culture that empowers employees to take calculated risks, innovate, and pursue new opportunities without fear of repercussions. This can be achieved by rewarding entrepreneurial initiatives and encouraging open communication. Lastly, SMEs should consistently conduct market research to understand customer preferences, monitor competitor activities, and anticipate industry trends.

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Questionnaire

Below are statement on the scale of 1-5, where 1= Strongly Agree, 2= Agree, 3= Strongly Disagree, 4= Disagree, 5= Undecided. Please indicate by ticking ( ) the extent of agreement or disagreement with each statement.

Questions

S/N	Risk Taking	SA	A	SD	D	U
1	Innovation in my organization is perceived as too risky and is resisted					
2	In my organization, if a manager takes a risk and fails, he or she is not penalized					
3	Our organization is willing to take calculated risks to gain a competitive advantage					
4	Our organization is willing to take bold decisions even when outcomes are uncertain.					
5	My organization is willing to accept short-term challenges for the potential of long-term benefits					
	Competitive Aggressiveness					

6	My organization places emphasis on beating competitors to enter new markets					
7	My organization always pushing for lower costs at high quality, faster than our competitors do					
8	My organization has adequate level of capabilities and resources to compete aggressively					
9	We aggressively pursue strategies to capture a larger share of the market					
10	Our organization adopts aggressive strategies to expand into new markets and territories					
	Innovation					
11	We frequently adopt and implement new technologies to improve processes and outcomes					
10	Our organization encourages the generation of new ideas and creative solutions to challenges					
12	My organization has a culture where creativity and innovation is highly regarded					
13	My company frequently introduce new products/services					
14	My organization actively seeks and rewards innovative ideas					
	Performance					
15	Our business has experienced growth in turnover over the past few years.					
16	The efficiency of our business has improved over the past few years					
17	The competitive position of our business has improved over the past few years					
18	Our organization consistently meets its short-term and long-term goals					
19	Our organization have successfully increased our market share within our industry					