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Entrepreneurial Orientation as a Driver of SMEs Performance in Sokoto State, Nigeria

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Abstract

This study investigated the relationship between entrepreneurial orientation and SMEs performance in Sokoto State, Nigeria for a total sample survey of 389. The study employed Ordinary Least Square (OLS) for the analysis. The result from the empirical finding indicated that there is a positive and statistically significant relationship between innovation, risk taking, competitive aggressiveness and SMEs performance in Sokoto State, Nigeria. Other result revealed that there exists a non-significant relationship between proactiveness and the performance of SMEs in Sokoto state, Nigeria. The study concludes that on averagely Average entrepreneurship orientation (*innovation, risk taking, and competitive aggressiveness are determinants of SME performance in Sokoto state. The study recommends among other things the need for stakeholders and legislators to create a system for teaching prospective and seasoned business owners about entrepreneurship, with a focus on small and medium-sized enterprises, in addition to educating new entrepreneurs about the credit opportunities provided by the CBN.*

Keywords: *Entrepreneurial, orientation, innovativeness, proactiveness, risk taking, competitive aggressiveness. SMEs,*

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1. Introduction

The literature on entrepreneurial orientation and Small and Medium Enterprises (SMEs) performance is extensive and continues to grow. SMEs play a crucial role in the economic development of both developed and developing economies, contributing significantly to job creation, poverty reduction, and industrial growth. Their impact on economic growth and national development has made them a focal point of research and policy discussions (Yauri et al., 2008). Empirical studies indicate that SMEs contribute approximately 55% of GDP and over 65% of total job creation in high-income nations. In low-income countries, they account for 60% of GDP and over 70% of total employment, while in middle-income nations, SMEs contribute over 70% of GDP and 95% of total employment. For instance, in Pakistan, SMEs represent 90% of business ventures, contributing 40% to GDP and 30% of total exports (Zafar & Mustafa, 2017). Their role in poverty alleviation, employment generation, increased income levels, raw material

supply, export earnings, and industrial capacity utilization is well documented (SMEDAN, 2013; 2017).

Recognizing the importance of SMEs, many developed and emerging economies have introduced policies to stimulate their growth and enhance their contributions to industrial development (Ikpor et al., 2017). SMEs are considered growth-supporting sectors that not only enhance living standards and indigenous capital formation but also drive innovation and competition in developing economies (SMEDAN, 2013). Despite their significant contributions, SMEs face numerous challenges, including limited access to finance, fluctuating consumer demands, technological disruptions, and intense global competition. Empirical evidence suggests that 80-85% of businesses worldwide are SMEs, yet many struggle to remain competitive due to these constraints (Mahar & Ghumro, 2020; Civelek, 2021; Alyafei et al., 2021). In developing economies, SMEs often lack a strong entrepreneurial orientation, which affects their ability to innovate, expand, and sustain long-term growth.

The primary challenge facing SMEs in developing economies, particularly in Sokoto State, Nigeria, is the ineffective implementation of policies that do not adequately address their specific needs. Although SMEs are recognized as crucial for economic growth, existing policies often lack a nuanced understanding of the entrepreneurial orientation necessary for their success, resulting in a disconnect between policy intentions and outcomes. Despite extensive research on the link between entrepreneurial orientation and SME performance, significant gaps remain in understanding how its multidimensional aspects interact in specific contexts. Current literature often treats entrepreneurial orientation as a single construct, obscuring the individual impacts of its dimensions, and there is limited empirical evidence from Sokoto State. To address these issues, this study proposes a mixed-methods approach that includes surveys and in-depth interviews with SME owners and stakeholders. This research will identify key dimensions of entrepreneurial orientation such as risk-taking, innovativeness, and proactiveness and evaluate their contributions to SME growth and sustainability.

By providing empirical evidence on these dimensions, the study aims to inform policymakers in developing targeted interventions that foster a supportive entrepreneurial environment. Ultimately, this research will enhance understanding of the relationship between entrepreneurial orientation and SME performance, contributing to more effective policy development that maximizes the potential of SMEs to drive economic growth in Sokoto State and beyond. In conclusion, while scholars generally agree that well-oriented SMEs perform better and adapt more effectively to globalization (Olubiyi et al., 2019; Basco et al., 2020; Kireeva, 2020; Muazu, 2020; Anwar et al., 2021; Ademosu & Morakinyo, 2021; Adeosun & Shittu, 2021), this study seeks to bridge the identified gaps and contribute valuable insights into the relationship between entrepreneurial orientation and SME performance.

2. Literature Review

2.1 Conceptual Review

2.1.1 Concept of Entrepreneurial Orientation

A significant body of research has explored the concept of Entrepreneurial Orientation (EO). Miller (1983) conceptualized EO based on three key dimensions: product-market innovation, risk-taking, and proactive innovation, defining an entrepreneurial firm as one that engages in innovation, undertakes moderate to high-risk ventures, and introduces new products or services ahead of competitors. Since then, EO has gained increasing relevance in entrepreneurship research, attracting both theoretical and empirical attention (Covin & Slevin, 1989; Covin et al., 2006). EO encompasses the strategic processes that guide entrepreneurial decision-making and actions within an organization (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). Rooted in strategy literature, EO has been used to describe decision-making styles, organizational behaviors, and strategic practices that facilitate entry into new or existing markets with innovative products or services (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003; Walter et al., 2006).

Building upon Miller's (1983) original framework, Lumpkin and Dess (1996) introduced two additional dimensions—autonomy and competitive aggressiveness—to further refine the EO construct. Several studies (e.g., Kraus et al., 2005; Wiklund & Shepherd, 2005; Hughes & Morgan, 2007) have adopted the five-dimensional EO model, emphasizing how innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy influence organizational performance. Furthermore, Lumpkin and Dess (1996) proposed that these dimensions are not necessarily interdependent and may vary in their individual impact on firm success.

2.1.2 Concept of SMEs

Micro, Small, and Medium Enterprises (MSMEs) are increasingly acknowledged for their vital role in economic development. Their contributions extend beyond job creation, as they serve as engines of growth, fostering local capital formation, enhancing living standards, and driving innovation and competition, particularly in developing economies. Recognizing their significance, governments at various levels have implemented policies and initiatives to support their growth and sustainability. MSMEs are widely regarded as essential in achieving key socio-economic goals, including poverty alleviation, employment generation, and wealth creation (SMEDAN, 2013).

According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), MSMEs are classified based on their annual turnover and workforce size:

i. Micro Enterprises: Turnover ranging from ₦3 million to less than ₦25 million, employing 3 to 9 workers.
ii. Small Enterprises: Turnover between ₦25 million and less than ₦100 million, with 10 to 49 employees.

iii. Medium Enterprises: Turnover from ₦100 million to less than ₦1 billion, with a workforce of 50 to 199 employees.

Given their critical role in economic diversification and sustainable development, MSMEs remain a major focus for policies aimed at boosting productivity, competitiveness, and long-term economic growth.

2.2 Theoretical Framework

The Resource-Based View (RBV), initially introduced by Penrose (1959) and expanded by Barney (1991), posits that a firm's competitive advantage hinges on its ability to leverage valuable, rare, inimitable, and non-substitutable (VRIN) resources, rather than simply achieving market dominance. RBV classifies resources into physical, human, and organizational categories, with intangible assets like human and organizational resources offering strategic value (Godfrey & Hill, 1995; Balgobin, 2003). Entrepreneurial Orientation (EO) aligns with RBV by emphasizing risk-taking, innovativeness, and proactiveness, enabling firms to meet market demands and explore new opportunities. Building on RBV, the Knowledge-Based View (KBV) emphasizes knowledge as the key driver of competitive success (Grant, 1996; Pemberton & Stonehouse, 2000). KBV asserts that a firm's ability to integrate specialized knowledge among its members determines its organizational capabilities. It considers knowledge a critical strategic asset, suggesting that firms that effectively manage and apply knowledge can achieve superior performance (Miller, 2002). Theriou and Aggelidis (2009) identify two perspectives within KBV: one that views knowledge as a strategic resource and another that focuses on knowledge integration through organizational routines.

In contrast, the Dynamic Capabilities View (DCV) argues that simply leveraging resources is insufficient in dynamic environments (Teece et al., 1997). DCV emphasizes the need for adaptive capabilities that allow firms to respond quickly to changes through innovation and strategic flexibility. Teece et al. identify three core managerial processes: coordination/integration, learning, and reconfiguration/transformation, which help align competencies with market shifts. Unlike RBV and KBV, which focus on static resource ownership, DCV highlights the continuous evolution of capabilities through experience and trial-and-error learning. This study employs RBV, KBV, and DCV as its theoretical frameworks, each providing insights into how firms utilize resources, leverage knowledge, and adapt to sustain competitive advantage.

2.3 Empirical Review

The relationship between Entrepreneurial Orientation (EO) dimensions—Innovativeness, Proactiveness, Risk-taking, Autonomy, and Competitive Aggressiveness—and the performance of Small and Medium Enterprises (SMEs) has been extensively studied across various regions and industries, yielding mixed findings. Numerous studies confirm a significant positive relationship between EO dimensions and SMEs' performance: **Kusa et al. (2021)** in Poland found that Innovativeness, Proactiveness, and Risk-taking positively affected performance using Fuzzy-set

Qualitative Comparative Analysis (FsQCA). **Anwar et al. (2021)** in Germany reported superior performance in firms with high EO based on survey data analyzed with Partial Least Squares (PLS). **Kireeva (2021)** in Finland used Structural Equation Modeling (SEM) and found that all EO dimensions positively influenced financial performance among 325 firms. Studies in India (Kyal et al., 2021) and Pakistan (Fan et al., 2021) also affirmed positive associations between EO and various aspects of performance. Research in Nigeria (Ibrahim & Abu, 2020; Muazu et al., 2020; Egbe et al., 2020) consistently found that EO dimensions significantly enhance SMEs' performance, with similar results noted in studies from other African nations.

Some studies indicate that the effectiveness of EO dimensions can vary based on the context: **Slogar (2021)** in Croatia found that while Risk-taking positively impacted Innovativeness, Proactiveness and Autonomy had non-significant effects on performance. **Mahar and Ghumro (2021)** in Pakistan indicated that while Risk-taking, Autonomy, and Competitive Aggressiveness positively influenced performance, Innovativeness and Proactiveness did not. Certain studies reported mixed or non-significant relationships: In Nigeria, **Umar et al. (2019)** found that while Innovativeness and Proactiveness were crucial, Risk-taking had minimal impact. **Ibrahim & Abu (2020)** also noted a non-significant effect of Competitive Aggressiveness. **Idawati and Sumartini (2020)** in Indonesia and **Akhtar et al. (2015)** in Pakistan reported that key EO dimensions did not significantly impact SMEs' performance.

While the majority of empirical evidence supports a positive relationship between EO and SMEs' performance, mixed findings suggest that factors such as industry type, firm size, market conditions, and external environmental influences may affect EO's effectiveness. The review highlights the need for further research to explore these contextual factors and refine the understanding of how EO contributes to business success in varying environments. Methodological differences across studies (e.g., SEM, PLS-SEM, regression, FsQCA) may also account for variations in results, underscoring the complexity of the EO-performance relationship.

3.0 Methodology

This study used a quantitative approach, collecting data through a cross-sectional survey design, to answer research questions about variables used to explain, predict, and control phenomena. This approach ensures a broad and objective presentation of the study's findings. Primary data was used in the study, data was collected using a structure questionnaire with closed ended questions from the sample SMEs in Sokoto. The target population for this study consists of all registered SMEs in Sokoto State that are involved in various business activities, totalling 14,114 according to SMEDAN (2021). A simple random sampling technique will be used for the study. The study determined an appropriate sample size that represents the above-mentioned population, three hundred and eighty-nine (389) SMEs owners, managers and owners/managers in Sokoto state. The sample size was arrived at using Yamane's (1967) formula. According to the formula, for a 95% confidence level and with a margin error of 0.05 and the precision *p* of 0.5%, the sample size was arrived at using the following formula:

$$n = \frac{N}{1+N(e)^2} \quad \text{..... .(3.1)}$$

$$n = \frac{14114}{1+35.28} = \frac{14114}{36.29} = 389 \text{ .....} \quad (3.2)$$

This study employed econometric model with modification which is in line with the work of (Chua, 2019) this study will establish the relationship between the dependent and independent variables of the study using the functional relationship.

$$Y = f(x) \text{.....} \quad (3.3)$$

Where; *"Y"* represents the dependent variable (SMEs) and X will represent the independent variable (entrepreneurial orientation). The above production equation will be restated in order to incorporate the variable of interest.

$$PRF = f(INV, PAC, RST, CAG) \text{.....} \quad (3.4)$$

Where; *"PRF"* is SMEs performance, *"INV"* connote innovativeness, *"PAC"* denote pro-activeness, *"RST"* is risk taking, and *"CAG"* denote competitive aggressiveness. The above equation will re-instate into mathematical model.

$$PRF_t = \beta_0 + \beta_1 INV_{t-1} + \beta_2 PAC_{t-1}\ \beta_3 RST_{t-1} + \beta_4 CAG_{t-1} \text{.....} \quad (3.5)$$

Where:"$\beta_1 - \beta_4$" is the coefficient of the parameters to be estimated, "$_t$ "denote the time varying factor. However, the mathematical model can be restated into econometric model, as follow:

$$PRF_t = \beta_0 + \beta_1 INV_{t-1} + \beta_2 PAC_{t-1}\ \beta_3 RST_{t-1} + \beta_4 CAG_{t-1} + \alpha_{t-1} \text{.....} \quad (3.6)$$

Data collected from the administered questionnaire, was presented and analysed using both descriptive and inferential statistics with the help of Statistical Package for Social Sciences (SPSS), Eviews, and excel. The descriptive statistic includes the use of mean, media, and percentages, whereas inferential statistic such as OLS regression techniques and correlation test for analysis of the specifications. This method facilitates the evaluation of how variations in the independent variables influence the dependent variable. Consequently, the application of OLS regression in this study is well-suited for analyzing the relationships between the dimensions of entrepreneurial orientation and SME performance, providing both robustness and clarity in the findings.

4.0 Result and Discussions

4.1 Descriptive Statistics

This section presents the descriptive statistics on the relationship between entrepreneurial orientation and SME performance in Sokoto State, Nigeria. The results are summarized in Table 4.1 below.

Table 4.1: Descriptive Statistics

Varbs.	Mean	Media	Max	Min	Std.Dev.	Skew.	Kurt.	Obs
PRF	3.3856	4.0000	5.0000	1.0000	1.1376	-0.2580	2.0462	389
INV	2.9948	3.0000	5.0000	1.0000	1.0478	-0.0974	2.2487	389
PAC	2.8174	3.0000	5.0000	1.0000	1.0305	0.1296	2.2782	389
RST	2.9974	3.0000	5.0000	1.0000	1.0267	-0.1522	-0.1065	389
CAG	2.9048	3.0000	5.0000	1.0000	1.0787	-0.6659	2.1121	389

Source: Field Survey 2023, SPSS 20

Table 4.1 presents descriptive statistics on the relationship between entrepreneurial orientation and SME performance in Sokoto State, Nigeria. The findings indicate that SME performance has a higher average mean value (3.38) compared to entrepreneurial orientation dimensions—innovativeness (2.99), proactiveness (2.81), risk-taking (2.99), and competitive aggressiveness (2.09)—suggesting that SME performance is concentrated in the upper part of the distribution while entrepreneurial orientation variables are in the lower part. All variables exhibit a full range of responses, with maximum values of 5.0 and minimum values of 1.0. The standard deviations range from 1.02 to 1.13, indicating moderate variability, with SME performance showing the highest volatility (1.13).

In terms of skewness, SME performance, innovativeness, risk-taking, and competitive aggressiveness are negatively skewed, suggesting an approximately normal distribution, whereas proactiveness is positively skewed, indicating a right-skewed distribution. The kurtosis values for all variables are below 3, indicating a platykurtic (flatter-than-normal) distribution. These results suggest that the data distribution is relatively uniform without extreme peaks.

4.2 Reliability and Validity of the Research Instruments

The Cronbach Coefficient alpha was used to assess the instrument's reliability, with a minimum threshold of 0.70 suggested by Zikmund, Babin, Carr, and Griffin (2010). Higher values indicate increased reliability, as shown in tables 4.1 and 4.2.

Table 4.2: Results of the Reliability Test (Entrepreneurship Orientation)

S/N	Constructs	Cronbach's Alpha	No of Items
1	Innovativeness	0.828	4
2	Proactiveness	0.799	4
3	Risk Taking	0.824	4
4	Competitive Aggressiveness	0.827	4

Source: Field Survey 2023, SPSS 20

Table 4.3: Results of the Reliability Test (SMEs Performance)

S/N	Constructs	Cronbach's Alpha	No of Items
1	Wider Market	0.760	5
2	Increased Products sales	0.734	5
3	Firm Profits Increase	0.727	5
4	Number of Employees Increased	0.740	5
5	Number of Customers Increased	0.745	5

Source: Field Survey 2023, SPSS 20

Tables 4.2 and 4.3 present the reliability results for the relationship between entrepreneurial orientation and SME performance in Sokoto State, Nigeria. According to Zikmund, Babin, Carr, and Griffin (2010), a minimum threshold of 0.70 for Cronbach's alpha indicates acceptable reliability. This implies that if the Cronbach's alpha value is equal to or greater than 0.70, the measurement instruments used in the study are considered reliable. Based on this criterion, Tables 4.2 and 4.3 demonstrate strong reliability, confirming the consistency of the constructs. Additionally, the results are statistically significant, considering the number of items used for each construct.

Table 4.4: Results of the Validity Test (Entrepreneurship Orientations)

S/N	Constructs	Components Factor	Average Factor Loading
1	Innovativeness	0.68	0.83
2	Proactiveness	0.75	0.84
3	Risk Taking	0.69	0.83
4	Competitive Aggressiveness	0.68	0.82
Kaiser-Mayer-Olkin 826 (0.000)			

Source: Field Survey 2023, SPSS 20

Table 4.5: Results of the Validity Test (SMEs Performance)

S/N	Constructs	Components Factor	Average Factor Loading
1	Wider Market	0.46	0.73
2	Increased Products sales	0.56	0.74
3	Firm Profits Increase	0.59	0.74
4	Number of Employees Increased	0.53	0.73
5	Number of Customers Increased	0.52	0.72
Kaiser-Mayer-Olkin 810 (0.000)			

Source: Field Survey 2023

Tables 4.4 and 4.5 present the validity results of the questionnaire used to examine the relationship between entrepreneurial orientation and SME performance in Sokoto State. The study assessed construct validity using both convergent and discriminant validity. The results from the convergent validity test indicate that all constructs are valid, as the average factor loading values exceed the recommended threshold of 0.70. Furthermore, the Kaiser-Meyer-Olkin (KMO) test confirms the adequacy and validity of the instrument, with a KMO value of 0.810, which is considered highly meritorious.

4.3 Inferential Statistics

This section deals with the results of the inferential statistics on the relationship between entrepreneurship orientation and SMEs performance in Sokoto state, Nigeria.

Table 4.6: Multicollinearity Test

Variables	PRF	INV	PAC	RST	CAG
PRF	1	0.49	0.45	0.56	0.45
INV	0.49	1	0.63	0.58	0.53
PAC	0.45	0.63	1	0.62	0.62
RST	0.56	0.58	0.62	1	0.54
CAG	0.45	0.53	0.62	0.54	1

Source: Authors Computation, Eviews 12

The correlation of the variable used in the model are demonstrated in Table 4.6 There are several ways in which the variables are connected to each other. The outcome showed that the parameters do not exhibit an excessive correlation as earlier suggested. More significantly, the coefficient value is extremely low, indicating a week correlation between dependents and independents variables. The estimated parameters do not exhibit multicollinearity, according to the empirical result of the Pearson correlation. This can be attributed to the fact that the multivariate coefficient values for all the variables used in the study are less than 0.7. Since there is no multicollinearity among the variables, the alternative hypothesis that there is multicollinearity among the variables under investigation is rejected. The null hypothesis, on the other hand, is accepted.

Table 4.7: Results of the Relationship between Entrepreneurship Orientations and SMEs Performance (OLS Regression Results)

Dependent Varb.: SMEs Performance				
Indp. Varb.	Coefficient	Std. Error	t-Statistics	P-Value
INV	0.2078	0.0605	3.4303	0.0007***
PAC	0.0076	0.0671	0.1146	0.9088
RST	0.4108	0.0611	6.7209	0.0000***
CAG	0.1583	0.1583	2.7844	0.0056***
C	1.0499	0.1618	6.4859	0.0000***
R^2 = 37, Adjusted R^2 = 37, F-Statistics = 58.0554, F- Statistic P- value (0.0000), Durbin Watson = 1.56				

Source: Author's Computation, Eviews 12, Note: Significant at 1 %(***), 5 %(**), 10 %(*)

Table 4.7 presents the results of the relationship between entrepreneurial orientation and SME performance in Sokoto State, Nigeria. The findings indicate a positive and statistically significant relationship between innovativeness and SME performance. Specifically, a 1% increase (or decrease) in innovativeness as a measure of entrepreneurial orientation leads to approximately a 0.20% increase (or decrease) in SME performance. This suggests that innovation is a key factor influencing the success of SMEs in Sokoto State. The findings align with the study by Bello, Bulus, Aisha, and Mansur (2023) and support the theoretical framework underlying this research.

Additionally, the results reveal a positive and statistically significant relationship between risk-taking and SME performance. A 10% increase (or decrease) in risk-taking corresponds to a 0.41% increase (or decrease) in SME performance. This implies that firms willing to engage in high-risk, high-return ventures tend to achieve better financial outcomes. The findings are consistent with those of Bello, Bulus, Aisha, and Mansur (2023), further reinforcing the theoretical foundation of this study. Furthermore, the empirical results indicate a positive and statistically significant association between competitive aggressiveness and SME performance. A 1% increase (or decrease) in competitive aggressiveness results in approximately a 0.15% increase (or decrease) in SME performance. This suggests that SMEs in Sokoto State that adopt aggressive competitive strategies are better positioned to enhance their performance. This finding also aligns with the study by Bello, Bulus, Aisha, and Mansur (2023) and supports the theoretical framework of this research.

However, the study finds no statistically significant relationship between proactiveness and SME performance in Sokoto State, indicating that proactiveness had no measurable impact on SME performance during the study period. This result is also in agreement with the findings of Bello, Bulus, Aisha, and Mansur (2023). The study concludes that an entrepreneurial mindset significantly enhances the performance of SMEs in Sokoto State, Nigeria. The analysis suggests that when entrepreneurial orientation factors are appropriately aligned, they can positively impact business success.

The regression analysis produced an R^2 value of 37%, indicating that 37% of the variations in SME performance are explained by the independent variables, while the remaining 63% are accounted for by factors not included in the model. This demonstrates a reasonable model fit for a primary dataset. The adjusted R^2 value of 37% confirms that the model can accommodate additional variables without a substantial decline in explanatory power. Furthermore, the F-statistic coefficient of 58.0554 (p-value = 0.0000) is statistically significant, indicating a strong overall relationship between the dependent and explanatory variables. At the 1% significance level, the F-statistic confirms the robustness of the model. Additionally, the Durbin-Watson statistic of 1.86 suggests no presence of autocorrelation among the variables, affirming the reliability of the results.

5.0 Conclusion and Recommendations

This paper examined the relationship between entrepreneurial orientation (EO) and SME performance in Sokoto State, Nigeria, using both descriptive and inferential statistical

methods. The findings indicate that proactiveness, as a measure of entrepreneurial orientation, does not significantly predict SME performance. However, innovativeness, risk-taking, and competitive aggressiveness are strong predictors of SME success. The results demonstrate that entrepreneurial orientation plays a crucial role in shaping the performance of small and medium-sized enterprises. When EO factors are effectively aligned, they can positively influence business success. The study further reveals that an increase in entrepreneurial orientation leads to improved SME performance in Sokoto State. This underscores the importance of creativity, competitive drive, and self-sufficiency for entrepreneurs in achieving market success, rather than solely relying on risk-taking. Additionally, the study highlights the necessity for entrepreneurs to acquire the necessary knowledge, skills, and competencies to thrive in the business environment.

The paper recommends among other things the need for government and other stakeholders to implement structured programs to educate aspiring and experienced entrepreneurs on SME development. Given the significant impact of **innovativeness on SME performance**, the government should introduce innovation grants, research and development incentives, and technology transfer programs to encourage SMEs to adopt new products and processes.

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