



Entrepreneurial Orientation, and Customer Loyalty: Moderating Effect of Service Quality in Small and Medium Sized Restaurants in Osun State, Nigeria

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Abstract

In spite of the obvious fast growing numbers of small and medium-sized restaurants in Nigeria, many struggle to retain customers. This study examined the influence of entrepreneurial orientation on customer loyalty; moderating effect of service quality in small and medium sized restaurants in Osun state Nigeria. Survey research of quantitative approach was adopted for the research, data were collected from owners and managers, employees and customers of SMRs using structured questionnaire. To select respondents; multi-stage sampling method was employed across major cities in the state, a total of 300 valid responses were retrieved from distributed 315 questionnaires. Structural Equation Modelling (SEM) was used to analyze the relationships among entrepreneurial orientation, service quality, and customer loyalty on SMART PLS 4. The results revealed that entrepreneurial orientation has a significant positive influence on service quality ($t=25.040$, $p=0.000<0.05$) and customer loyalty ($t=12.150$, $p=0.000<0.05$). It was also found that service quality has a significant positive effect on customer loyalty ($t=15.693$, $p=0.000<0.05$), moderating result reveals that service quality strengthens the relationship between entrepreneurial orientation and customer loyalty. Specifically, firms with higher levels of service quality are better able to translate entrepreneurial orientation into increased customer loyalty. The study therefore concludes that entrepreneurially oriented firms are better positioned to deliver high-quality services through innovation, responsiveness, and calculated risk-taking. The study recommends that firms should ensure that their innovative and proactive approaches lead to actual improvements in customer experience. Managers should focus on aligning their entrepreneurial strategies with customer expectations by embedding service excellence to improve the overall dining experience.

Keywords: Customer loyalty, Entrepreneurial orientation, Service quality, Small and Medium Restaurant, Structural equation model

1.0 Introduction

Nigeria's economic growth has in recent times enjoyed contributions of small and medium-sized restaurants in terms of job creation, food security and quality food service delivery in the food industry. While facing unique challenges and opportunities in dynamic economic environments, SMRs, though usually owned by families or individuals, cater to consumers with affordable meals (Akinyele & Oloruntoba, 2023). Across rural and urban areas in Nigeria, proliferation of SMRs was necessitated by demand for convenient, affordable, and diverse menu options. Adeyemi *et al.* (2022) opined that the growing urbanization and increased

working-class populace birthed increased demand for quick-service restaurants. Customer retention among small and medium sized restaurants has become serious concern as they struggle to retain customers in the competitive market. Customer loyalty is greatly influenced by entrepreneurial practices of SMRs and the provided service quality, which eventually results in repeated patronage and advocacy. Effective customer relationship management as well as quality of personnel essentially impact customer retention in SMRs (Aliu *et al.*, 2021). This underscores the significance of investing in staff training and customer engagement strategies by small and medium scale restaurants in Osun state.

Entrepreneurial orientation is philosophy, mindset, behaviour and way of life of entrepreneurs directed towards business activities in order to achieve the business goal. It is a strategic framework that shows a firm's propensity to engage in innovative, proactive and risk-taking behaviours to achieve competitive advantage and superior performance. In order for SMR to navigate the customer retention and/or customer loyalty problem, there is need to strongly embrace quality entrepreneurial orientation leveraging on dimensions such as innovativeness, pro-activeness, risk-taking among others in the restaurant business (Emmanuel & Maryam 2024).

Service quality is one of the major determinants of customer satisfaction and loyalty in a dynamic market driven by growth, especially in the restaurant industry where the dining experience is sacrosanct. Repeated patronage and positive word of mouth are orchestrated by high service quality; this is significant for SMRs' sustainability (Aliu *et al.*, 2021). Competitive aggressiveness in Osun State necessitates that SMRs perpetually advance their service offerings to meet ever-growing customer expectations. It's no gainsaying that service quality remain a significant factor that delivers customer loyalty to small and medium sized restaurants. In spite of the obvious fast growing numbers of small and medium-sized restaurants in Osun State, many struggle to retain customers, and this is a major motivation for this study. While entrepreneurial orientation has been linked to business growth, its impact on service quality and customer loyalty in the restaurant industry remains underexplored.

Existing studies on entrepreneurial orientation and service quality have mostly focused on other aspects of SMEs and large enterprises, leaving a gap in understanding how small and medium-sized restaurant businesses can leverage entrepreneurial orientation to enhance customer loyalty and quality service delivery. This study therefore seeks to fill this gap by examining the relationship between entrepreneurial orientation and customer loyalty; moderating effect of service quality in small and medium restaurants in Osun State. The study is of high significance as it contributes largely to sustainable development goals 9 which emphasized industry, innovation and infrastructure as well as goal 12: responsible consumption and production which are the core of entrepreneurial orientation and research interest. The study thereby seeks to provide answer to following research questions: i. How does entrepreneurial orientation influence service quality of small and medium sized restaurant? ii. To what extent does service quality influence customer loyalty in small and medium sized restaurants? iii. Does entrepreneurial orientation has significant influence on customer loyalty? iv. Does service

quality moderate the relationship between entrepreneurial orientation and customer loyalty of small and medium sized restaurants?

2.0 Literature Review

Small and Medium-sized Restaurants (SMRs)

Small and medium sized restaurants (SMRs) refer to food service businesses that fall within the small and medium enterprise (SME) category based on their size, revenue, and number of employees. Small and medium-scale restaurants (SMRs) are a critical segment within the hospitality industry due to their contribution to employment, economic growth, social culture, and community engagement. Success, sustainability and performance of SMRs depends largely on entrepreneurial strategies, innovation, digital adoption, and response to external shocks (Mishrif & Khan, 2023).

Entrepreneurial Orientation

Entrepreneurial orientation refers to the philosophy, mindset, and disposition of entrepreneurs to the business enterprise. It is the act and mindset of business directed towards introducing new process, new production techniques, new product lines, and exploring new market opportunities. Because entrepreneurial orientation contributes significantly to business success it is usually conceptualized as strategic process that involves making decisions that brings about creations of new ventures and support to business development efforts (Hu, Parsa and self, 2010). Entrepreneurial orientation is commonly recognized to have major constructs/dimensions viz: innovativeness, risk-taking, and pro-activeness (Al-mamu et al, 2021).

Innovativeness describes the ability of entrepreneurs to create new ideas, products, services or process that enhance enterprise competitiveness, adaptability, and growth potential (Baregheh *et al.*,2009). Proactiveness is defined as the capability of entrepreneur to identify and leverage opportunities ahead of others. It is an embodiment of forward looking mindset that expect market changes and generates new processes or products innovations to stay ahead in business (Wang *et al* 2013). This entrepreneurial orientation dimension demonstrates readiness to lead rather than follow, usually by introducing new offerings before competitors and proactively carrying out changes that boost competitive positioning (Hu, Parsa & Self 2010). Closely linked to the first mover advantage is proactiveness usually achieved through efficient environmental scanning to identify emerging trends and maintain competitive awareness (Post & Altma 1994).

Risk taking refers to the willingness of SME owners/managers to commit resources to opportunities with uncertain outcomes. It is a central element of entrepreneurial behavior and plays a critical role in driving innovation, growth, and competitiveness especially in dynamic or emerging market. While Rauch *et al.* (2009) acknowledged that risk-taking contributes positively to firm performance, they noted that its influence may be less pronounced compared to pro-activeness and innovativeness. Nonetheless, risk-taking remains an essential and distinct

component of entrepreneurial orientation, often examined as an independent variable in EO-performance models (Cronin & Taylor., 1994).

Service Quality

Service quality describes the extent to which provided services meets or surpasses customer expectations. It involves evaluating dimensions such as reliability, responsiveness, assurance, empathy and tangibility that jointly shape how customers perceive the service delivered (Pratiwi & Resawati 2024). Service quality of high degree is usually associated with enhanced customer satisfaction, improved loyalty and stronger organizational reputation. Various aspect of customers experiences are embedded including customer support, pricing, tangibility as well as efficacy of service delivery. According to Eresia-Eket *et al* (2018), service delivery involves interaction between service provider and the customer, making quality a dynamic and experience based construct. Picoli *et al* (2017), further stated service quality is fundamental juxtaposition between customer experience and their actual expectation. This juxtaposition plays crucial roles in industries that rely so much on personal interaction, such as hospitality, restaurant and fast food services. Meeting or surpassing customer expectation strengthens satisfaction and promotes loyalty. Businesses are able to withstand market competition and even stand out in crowded markets when the deliver high quality service.

Customer Loyalty

In today's highly competitive business environment, sustaining long-term customer relationships and securing customer loyalty has become increasingly challenging. Customer loyalty is the willingness of customers to continue buying or using a company's products or services over time even when there alternative available options (Satti *et al.*, 2019). According to Syah *et al.* (2022), customer loyalty drives repeat purchases and referrals, often irrespective of price considerations. Factors such as customer satisfaction and trust play a significant role in building this loyalty. Loyal customers frequently and joyfully make repeated purchase more than new customers emphasizing the needs for businesses to invest in strategies and approaches that that nurture and expand their customer loyalty base (Emmanuel *et al.*, 2025).

Conceptual Framework

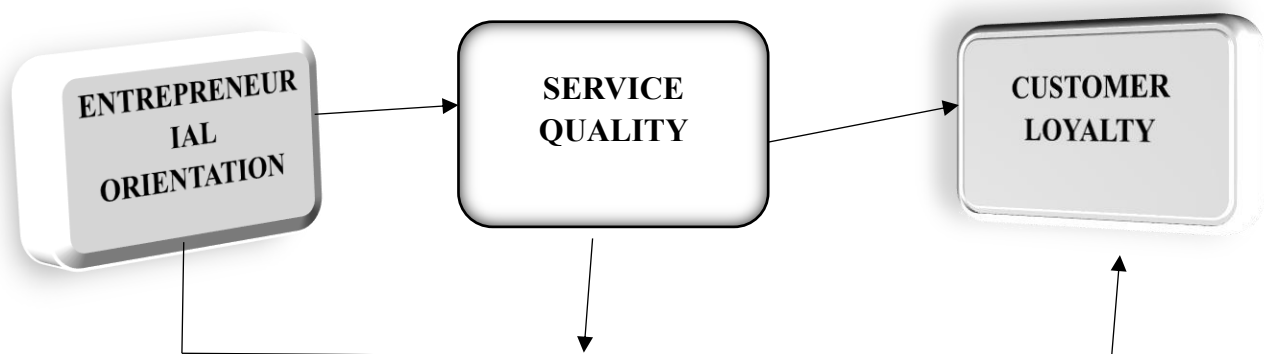


Figure 1: Author's research survey, 2025

Entrepreneurial Orientation and Service Quality

Scholars have increasingly explored the interplay between EO and SQ, particularly within service-driven industries such as hospitality, banking, and retail, where customer satisfaction and loyalty are essential for competitiveness. Ali *et al.*, (2021) found that firms with high entrepreneurial orientation tend to offer more innovative and customer-focused services, leading to better service quality in the banking sector. Their study, conducted in Pakistan, showed that EO dimensions: innovativeness and pro-activeness significantly contributed to service quality enhancements. Tajeddini *et al.* (2023), investigated Nigerian retail firms and concluded that risk-taking entrepreneurs are more likely to invest in service technologies and customer engagement platforms, which ultimately improve the perception of service quality. Their findings support the idea that EO facilitates continuous improvement in service delivery mechanisms. This study hereby hypothesized that:

H₁: Entrepreneurial orientation has significant positive effect on service quality

Service quality and customer loyalty

Service quality is widely recognized as a critical determinant of both customer satisfaction and customer loyalty (Kuo *et al.*, 2013). Empirical evidence suggests that improvements in service quality are positively associated with higher levels of satisfaction and increased customer loyalty (Izogo & Ogba, 2015). Research identifies behavioral, attitudinal, and cognitive loyalty as core dimensions of customer loyalty in the restaurant industry (Akbari & Nazari, 2024). In today's highly competitive business environment, companies often face challenges in fostering both customer retention and loyalty. However, cultivating strong loyalty enhances brand profitability, as loyal customers tend to influence others to adopt the same brand (Kayumov, *et al.*, 2024). Syah, *et al.*, (2022) argue that loyal customers are more likely to make repeat purchases and advocate for the brand, even when prices fluctuate. Supporting this, Ahmed *et al.* (2023) assert that maintaining a loyal customer base is essential for sustaining business growth and maintaining competitiveness. They further emphasize that loyal customers generally exhibit a higher propensity to repurchase compared to new customers, underscoring the strategic importance of building and maintaining a substantial base of loyal patrons. These insights collectively highlight that customer loyalty is not merely a desirable outcome but a critical factor for long-term business sustainability and competitive advantage.

H₂: Service quality has significant positive effect on customer loyalty.

Entrepreneurial Orientation and Customer Loyalty

Entrepreneurial orientation (EO) has emerged as a crucial strategic orientation influencing various firm outcomes, including innovation, market responsiveness, and customer-centric behavior. In recent years, scholars have examined how EO dimensions such as innovativeness, pro-activeness, and risk-taking affect customer loyalty, particularly in dynamic and competitive markets.

A study by Rantyanti and Halim (2020) provided evidence of a significant positive association between entrepreneurial orientation and restaurant sustainability. In support of this, Lemy *et al.* (2019) argued that entrepreneurial orientation via innovativeness and pro-activeness can improve business profitability by optimizing processes, reducing material usage, and lowering production costs. Similarly, Mokhtar *et al.* (2020) conducted a study among retail firms in the

United Arab Emirates and found that entrepreneurial firms that were proactive in identifying market trends and took calculated risks were more likely to retain customers and build emotional loyalty. Their findings emphasized the strategic role of EO in shaping customer perceptions and behaviors.

H3: Entrepreneurial orientation has significant effect on customer loyalty.

H4: Service quality moderates the relationship between entrepreneurial orientation and customer loyalty.

Theoretical Review

Resource-Based Entrepreneurship Theory

Resource Based View was propounded by Wernerfelt (1984) which was further advanced by Barney (1991), who emphasized the internal ability of an enterprise in achieving sustainable competitive advantage. The theory stipulated that enterprise that possess unique resources and capabilities can outperform competitors. Resources in question are classified into tangible and intangible resources (Grant, 1991). According to Covin & Slevin (1989), entrepreneurial orientation is an enterprise philosophy that reflects its readiness to innovate, take calculated risk, and act proactively. Rauch *et al.*, (2009) argued that entrepreneurial orientation is an essential intangible resource that is in alignment with resource based view tenets. Entrepreneurial orientation can be conceptualized through resource based view lens as an enterprise specific capability that enables competitiveness. Enterprise that possesses viable entrepreneurial orientation exhibits uncommon strategic behaviours that can develop and sustain competitive advantage (Wiklund & Shepherd, 2003). Entrepreneurial orientation helps enterprise capability to leverage existing resources to develop new ones, bringing about growth and profitability (Anderson & Eshima 2013). Resource based view equally suggest that effect of entrepreneurial orientation on performance is anchored on availability of resources (Newbert, 2007). This is evident in the fact that, human capital, in the form of managerial expertise and employee skills, amplifies the effects of entrepreneurial orientation on innovation and firm agility (Wales *et al.*, 2013).

SERVQUAL Model

This model was developed by Parasuraman, Zeithaml, and Berry (1988), it is widely used framework for evaluating service quality. Service quality is a fundamental determinant of customer satisfaction and business performance. SERVQUAL model measures service quality by examining the lapses between expectations of customers and perceptions across the five key constructs. This model reviews the theoretical underpinnings, dimensions, applications, and critiques of the SERVQUAL model. The SERVQUAL model is rooted in the expectancy-disconfirmation theory, which suggests that customer satisfaction arises from the comparison between expectations and actual service performance. The model is also influenced by the gap model of service quality, which identifies various discrepancies that affect service delivery and customer satisfaction (Parasuraman *et al.*, 1985). The SERVQUAL model operationalizes service quality using five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. The SERVQUAL model has been widely applied across various industries, including

hospitality, healthcare, education, banking, and retail. Numerous studies have validated its effectiveness in identifying service gaps and improving customer satisfaction. For instance, in the banking sector, SERVQUAL has been used to assess customer perceptions of service reliability and responsiveness, leading to strategic improvements (Ladhari, 2009).

3.0 Methodology

This research made use of descriptive survey research design because it allows collection of large amount of data from a sizeable population among owners, managers and customers of small-sized restaurants in Osun state. In accordance with the design of this research, it adopted a primary source of data, a well-structured questionnaire was designed to get data from small sized restaurants owners, managers and customers in Osun state. Part A contained respondents' demographic information. Part B contained questions on entrepreneurial orientation, dimensions of service quality, and key elements of customer loyalty respectively. Questionnaire was designed using likert scale format where each respondent to indicate his/her level of agreement with the statement relating to the variables.

Small-sized restaurants owners, managers, and customers in osun state were the targeted population of this research. It was impossible to reach the entire population of osun state, multi-stage sampling method was adopted; major cities in the state were selected which are: Osogbo, Ile-Ife, Ilesa, Ede, Iwo, Iragbiji and Ikire. These cities were selected because they constitute the major hub for commerce, industry and culture in osun state. Five (5) major restaurants from each cities were further selected where nine (9) respondents from each selected restaurants attended to the research instrument to have forty-five (45) respondents from each city having a total of three hundred and fifteen (315) respondents in all. Three hundred (300) questionnaires were retrieved of the three hundred and fifteen (315) distributed. Data collected for the study were analyzed using descriptive statistics and frequency distribution for the demographic information of respondent while Partial Least Square Structural Equation Model (SEM) was used to examine the relationship between entrepreneurial orientation, service quality, and customer loyalty.

4.0 Results and Discussion of Findings

Evaluation of the Measurement Model

The measurement model was assessed using Smart Partial Least Squares (SmartPLS) version 4. Key reliability indicators such as factor loadings, Cronbach's Alpha, Composite Reliability (Rho_a), and Composite Reliability (Rho_c) were examined to determine whether each item adequately reflected the underlying construct. These metrics help establish whether the observed indicators in the model significantly share variance with their respective latent variables. As shown in Fig. 2 the minimum acceptable level of loading was 0.5 and the loadings from the analysis were more than 0.5. This is considered acceptable since the AVE values are acceptable. To assess convergent validity, Average Variance Extracted (AVE) values were computed for each construct. AVE quantifies the proportion of variance captured by a construct relative to the variance attributed to measurement error. For convergent validity to be deemed satisfactory, AVE values must be equal to or greater than 0.5.

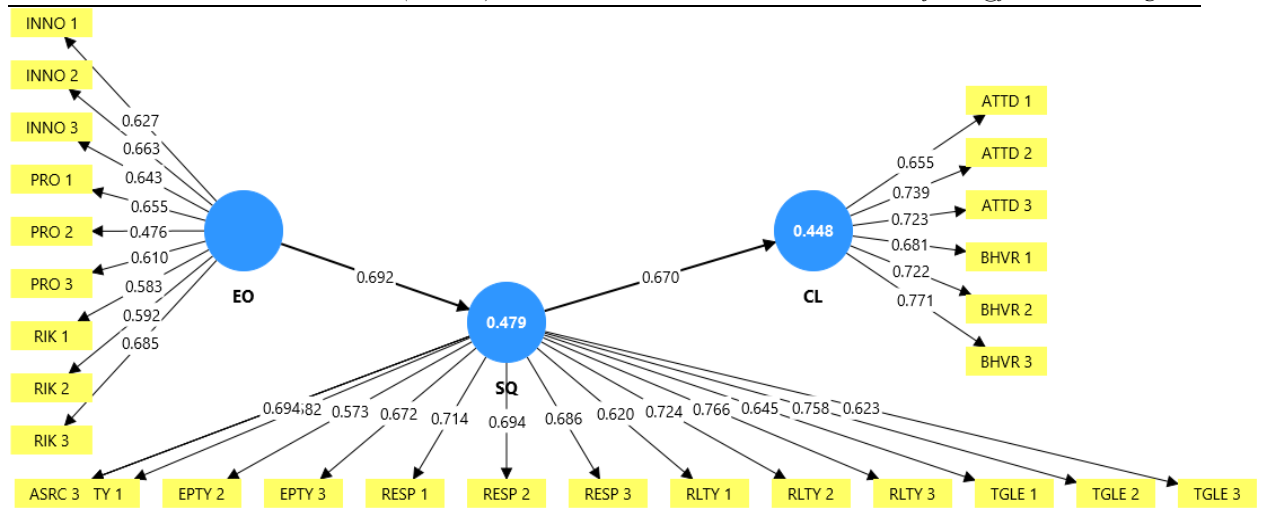


Figure 2. Author’s research survey, 2025 via SMART PLS 4

Convergent Validity and Composite Reliability

Table 2 below represents the results of validity and reliability of the construct variables

Table 2. Construct reliability and validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customer Loyalty	0.810	0.809	0.863	0.513
Entrepreneurial Orientation	0.798	0.803	0.846	0.581
Service Quality	0.916	0.918	0.928	0.563

Author’s research survey, 2025

Measurement Model Results

As presented in Table 2, all measurement items recorded factor loadings exceeded the commonly accepted minimum threshold of 0.7. This indicates that the observed indicators in the structural model share substantial variance with their associated latent constructs. Additionally, the AVE values for all constructs surpassed the 0.5 benchmark, thereby confirming that the constructs demonstrate adequate convergent validity. These findings collectively suggest that the measurement items do not exhibit any concerns related to validity or reliability.

Discriminant Validity Assessment

To evaluate discriminant validity, three methods were employed: the Fornell–Larcker criterion, cross-loadings analysis, and the Heterotrait–Monotrait (HTMT) ratio. According to the Fornell–Larcker approach, the square root of each construct’s AVE should exceed its correlations with other constructs, thereby confirming discriminant validity (Fornell & Larcker, 1981). Furthermore, the cross-loadings of each item should be greater on its respective construct than on others. Lastly, HTMT values should remain below the threshold of 1.0, as recommended by Kline (2011), to further affirm discriminant validity. The square roots of the Average Variance Extracted (AVE) for the constructs are represented in Table 3.

Table 3. Fornell-Larcker Criterion

Construct	1	2	3
Customer Loyalty	0.716		
Entrepreneurial Orientation	0.487	0.680	
Service Quality	0.670	0.692	0.618

Author's research survey, 2025

The off-diagonal values in Table 3 represent the correlations between different constructs. Discriminant validity is established when the square root of each construct's AVE, shown along the diagonal, exceeds the corresponding inter-construct correlations. The results indicate that all diagonal values are greater than the associated correlations, confirming that the constructs satisfy the requirements for discriminant validity.

Table 4. Heterotrait-monotrait ratio (HTMT)

Entrepreneurial Orientation <-> Customer Loyalty	0.575
Service Quality <-> Customer Loyalty	0.763
Service Quality <-> Entrepreneurial Orientation	0.772

Author's research survey, 2025

Table 4 presents the HTMT ratios for the construct variables. The results indicate that all values are below the threshold of 1.0, thereby confirming that the constructs meet the criteria for discriminant validity.

Path Analysis

To explore the relationships among entrepreneurial orientation, service quality, and customer loyalty, a multivariate analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). This approach was employed to test the study's hypotheses. The outcomes of the structural model estimation, including items loading and R-squared values, are presented in Figure 2.

The R-squared values represent the proportion of variance in the dependent (endogenous) variables that can be explained by the independent (exogenous) variables. This measure is useful for evaluating the overall model fit and assessing the predictive capability of variables within the formative model. As shown in Figure 2, the first-order construct variables explain a substantial amount of variance in their corresponding second-order construct, with Service Quality an R² value of 0.479. Furthermore, the second-order constructs effectively predict the endogenous variable, Customer Loyalty, which has an R² value of 0.448. These findings indicate that the model demonstrates a strong fit with the data.

Structural Estimate

This study carried out a bootstrapping technique on PLS-SEM in order to express the t-statistics of the structural estimates, determine the significance of the relationships among the constructs and to test the hypothesized relationships.

Table 6. Hypotheses Testing

			Sample (Beta)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Decision
Entrepreneurial Orientation	Customer Loyalty	->	0.464	0.474	0.038	12.150	0.000	Supported
Entrepreneurial Orientation	Service Quality	->	0.692	0.701	0.028	25.046	0.000	Supported
Service Quality	Customer Loyalty	->	0.670	0.676	0.043	15.693	0.000	Supported
Entrepreneurial Orientation	Service Quality -> Customer Loyalty	->	0.464	0.474	0.038	12.150	0.000	Supported

Author's research survey, 2025

Table 6 presents the outcomes of the hypothesis testing. The results revealed that entrepreneurial orientation has a significant impact on both service quality and customer loyalty, as evidenced by p-values below the 0.05 threshold ($p < 0.05$). Therefore, hypotheses H1, H2, and H3 are supported. These findings demonstrate a strong relationship between entrepreneurial orientation, service quality, as well as customer loyalty. Additionally, service quality significantly influence customer loyalty. This supports the conceptual framework outlined in Figure 1 and carries important implications for restaurant management. Specifically, it suggests that for small and medium sized restaurants to achieve high levels of customer loyalty, entrepreneurial orientation plays invaluable roles just as maintaining excellent service quality is also sacrosanct.

5.0 Discussion

Result of the analysis shows that entrepreneurial orientation has significant positive effect on service quality in restaurants. This goes in line with the research done by Ali *et al.*, (2021) who found that firms with high entrepreneurial orientation tend to offer more innovative and customer-focused services, leading to better service quality in the banking sector. Research by Tajeddini *et al.*, (2023), also corroborates the result of this research, they investigated Nigerian retail firms and concluded that risk-taking entrepreneurs are more likely to invest in service technologies and customer engagement platforms, which ultimately improve the perception of service quality. In restaurants business service quality is unapologetically influenced by entrepreneurial orientation. Restaurants with quality service delivery who also want to remain relevant in the industry must make innovativeness significant priority. Innovation is the development of new ways of doing things in organizations to demonstrate in product, service, and technology or design process. Investment in modern restaurant décor and ambience to enhance customer experience will significantly influence service quality of restaurants and this orientation will automatically improve patronage and sales turnover. Pro-activeness provides entrepreneurial preparedness to checkmate rivalries via dynamic deliveries, this will enable restaurant entrepreneur to drastically improve on the quality of delivery and also introducing new products or services all in front of rivalry. Proactive and innovative restaurants stay ahead of others leveraging on technology, marketing new products and services. Pro-activeness enables restaurants to anticipate customer preferences and make changes before competitors do. To actualize top-notch quality service delivery sometimes may require taking risks such as willingness to take financial risks to expand restaurant, experimenting with new food trends

despite potential challenges and investment in new restaurant locations or delivery services to improve accessibility.

The study equally found out that service quality significantly influence customer loyalty. This corroborates the result of the study conducted by Ahmed *et al.*, (2023), the scholars opined that the major condiment needed for sustainable business growth is having large loyal customer base which without doubt enables restaurant business to compete well in the market. Customer loyalty is not a ready-made phenomenon; it is rather built over time leveraging on the service quality delivery, so customer loyalty therefore is a function of service quality. Restaurant where employees are well dressed, using modern facilities, consistently providing quality food with staff always willing to assist customers promptly in their in-dept knowledge and experience showing genuine care and concern for customer needs will naturally not miss or beg for customers loyalty.

Entrepreneurial orientation was found to have positive significant effect on customer loyalty. This is in consonance with research conducted by Mokhtar *et al.* (2020) who found positive linkage among entrepreneurial practices which is determined by the standard of entrepreneurial orientation and rebuying habits of customers. Rantianti and Halim (2020) also found positive association between entrepreneurial orientation and sustainability of restaurants bone out of customer loyalty. Customers frequent visit to restaurants for meal as well as recommendation of the restaurant to friends and families with little or obvious emotional attachment that spurs willingness to pay a higher price for the food are all made possible by the dimensions of entrepreneurial orientation that provided ground for restaurant facilities and service delivery that gave rise to customer loyalty. Results of the findings conforms with the theories that underpinned this research, that is resource base view theory by Wernerfelt (1984) which posits that firms with unique resources and capabilities can outperform competitors, and SERVQUAL model by Parasuraman *et al* (1988) which measures service quality by evaluating gaps between customer expectations and services delivered rooted in the five dimensions of service quality.

While entrepreneurial orientation may directly influence customer loyalty, this relationship is often strengthened or even fully realized through service quality. EO leads to actions and strategies aimed at improving offerings and delivery methods, but these must result in tangible service quality improvements for customers to notice and respond with loyalty. For instance, restaurants may launch a new online service platform; however, if that platform is slow or confusing, customers may not perceive the value or stay loyal. Conversely, if the platform enhances convenience and speed, it significantly boosts customer satisfaction and loyalty. This illustrates how service quality acts as a mediating variable, channeling the positive effects of EO into customer retention and brand allegiance.

6.0 Conclusion

The study examined the relationship between entrepreneurial orientation, service quality, and customer loyalty. Result of the analysis shows that entrepreneurial orientation has significant positive effect on service quality in restaurants. The study equally found out that service quality significantly influence customer loyalty. Also, entrepreneurial orientation was found to have positive significant effect on customer loyalty while moderating variable (service quality) strengthens the relationship between entrepreneurial orientation and customer loyalty. The study hereby concludes that service quality plays sacrosanct moderating role in enhancing the

effect of entrepreneurial orientation on customer loyalty. SMRs with high entrepreneurial orientation achieve greater customer loyalty when service quality is also high. Based on the findings the study recommends that: SMRs should always ensure that their innovative and proactive approaches lead to actual improvements in customer experience. Organizations should focus on aligning their entrepreneurial strategies with customer expectations by embedding service excellence into every innovation. This alignment ensures that the value created through entrepreneurial activities is recognized and appreciated by customers, thereby fostering loyalty. Firms should invest more in staff training on quality service delivery as well as service quality infrastructures.

In the course of the research, some limitations were observed and these provide suggestions for further research. This study focused on individual customers of restaurants, further studies on the outcomes of service quality should look at restaurant managers. This will provide the perspective of the managers on service delivery. Moreover, the study is based on quantitative research methodology. Future researchers may also use qualitative methodology to provide more insight into the factors influencing the perception of service quality in restaurants. In addition, this study was conducted in Osun State, future studies could be conducted in other states in Nigeria and in other countries.

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