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Entrepreneurial Orientation and Corporate Performance of Small and Medium Enterprises (SMEs) in Lagos State, Nigeria

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Abstract: *This study examined the relationship between entrepreneurial orientation and corporate performance of SMEs in Lagos State. The cross-sectional survey was covered and a population of 2596 SMEs in Lagos State was covered. A sample size of 310 were drawn from the population and the simple random sampling was adopted. Data were gathered using copies of questionnaire. The Spearman Rank Order Correlation was used in testing the hypotheses so as to ascertain the relationship between entrepreneurial orientation and corporate performance. The result indicated a significant relationship between the dimensions of entrepreneurial orientation (innovativeness and risk-taking) with the measures of corporate performance (profitability and operational efficiency). It was concluded that the orientation of entrepreneurs in terms of risk taking and innovativeness, help in improving the performance of the SMEs. Among others, it was recommended that entrepreneurs should always introduce some element of innovation in their product or services as such will help boost their profitability.*

Keywords: *Entrepreneurial Orientation, Corporate Performance Innovativeness, Risk-Taking, Profitability, Operational Efficiency.*

1.0 Introduction

Corporate entities are constantly operating in a domain that is highly complicated and full of imponderable circumstances that need to be tackled for the business to maintain its continuity notion. The small and medium enterprises (SMEs) have over the years been a key sector of the nation that has contributed immeasurably towards boosting the economic wellbeing and progress of the country. Performance has remained one of the factors that help fuel the existence of any establishment irrespective of the philosophy and mission of the establishment. Performance of corporations' help ascertain if the corporate entity will achieve and uphold its competitive fit in the industry (Issa & Akhigbe). This depict that a firm that lacks high performance ability may possibly fizzle out of business within a foreseeable future. The performance of SMEs is critical to national development because the sector is well recognized to have help reduce the high rate of unemployment and in enhancing the fortune of any economy.

It is an undeniable fact that SMEs has contributed to other nations in ensuring that they meet up to their level of development because it is a bedrock of national development (Akhigbe & Onuoha, 2020). Performance of organizations plays a crucial role in boosting the firms competitiveness, resilience, effectiveness, sustainability and efficiency. Omhonria and Needorn (2022) posited that firms performance depict the degree at which an corporate entity achieved its missions as it relates with work outcome, customers relationship, quality service and overall wellbeing. Aligning with the above definition of firms performance, one can thus uphold that the performance of firms does encompasses both financial and non-financial aspect of the organization. In measuring performance, several indicators has been used svarious constructs like profitability, competitiveness, employee satisfaction, operational efficiency, capacity utilization, goal achievement, increase patronage, customers satisfaction, efficiency, effectiveness and survival (Omhonria & Needorn, 2022, Chen, Jiang, Jia & Liu, 2021).

The success and wellbeing of SMEs often depends on the ability to manage and tackle all challenges that could affect the success of the establishment. Hence, the orientation of the entrepreneur is very relevant in enhancing the capability of the establishment towards improving and ensuring consistent and superior outcome. Entrepreneurial orientation (EO) depict the strategic orientation of a firm which captures the explicit entrepreneurial features of decision-making styles and practices (Frank, Fink & Kessler, 2010). Entrepreneurial orientation enhances the specific characteristics, basic skills and trait of an entrepreneur which are relevant in managing business establishment in tackling challenges encountered by the organization in order to enhance its growth and survivability. An organizations entrepreneurial procedure may be helpful in taking advantage of new entry opportunities which is relevant in boosting its performance, However, the adoption of a high EO is considered essential but inadequate for wealth creation by new establishments (Ireland, Hitt, Camp, & Sexton, 2003). EO has been examined from an organizations level standpoint, likewise from individual perspective which explores the link between business owners' EO and firm's performance (Krauss et. al., 2005).

The orientation of the entrepreneur can be a tool in boosting the holistic success and wellbeing of the SMEs and inability of the entrepreneur of the SMEs to possess requisite competence may affect their performance. The aptitude of entrepreneur in terms of competence, could be leant and improved through training in entrepreneurship (Akhigbe & Onuoha, 2020). The necessity to enhance performance of SMEs have attracted the scholars to proffer various ways to boost the firm's performance. However, there are scarcity of empirical writeup on how entrepreneurial orientation relates with corporate performance of SMEs in Lagos State, this has created a lacuna in knowledge which this study intends to bridge.

Conceptual Framework

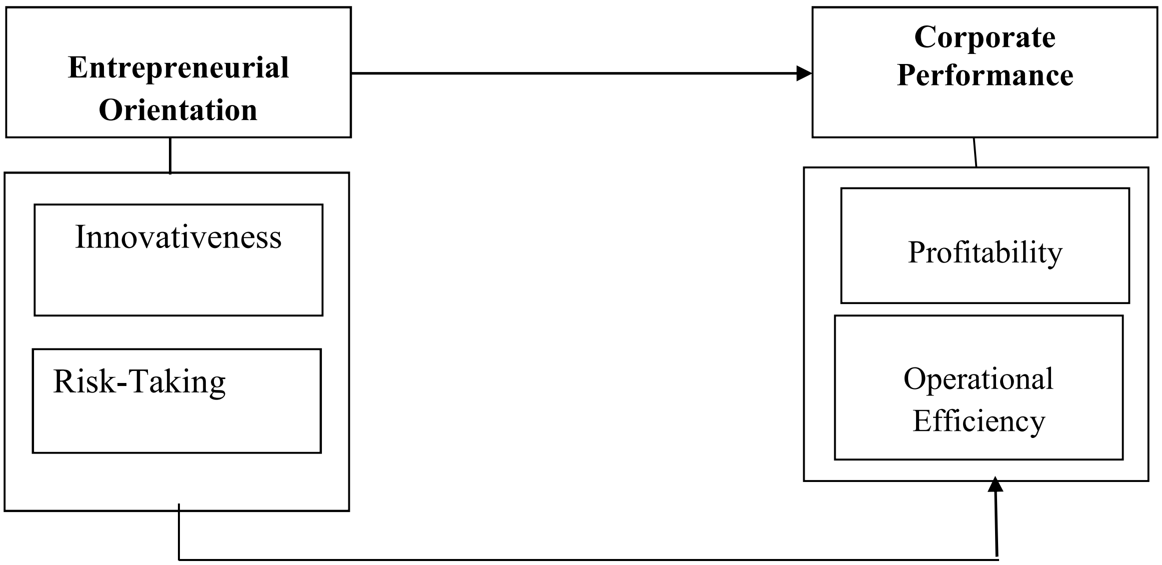

Figure 1: Conceptual framework showing the link between entrepreneurial orientation and corporate performance**.**
Source: Researchers conceptualization

Aim and objectives

The aim of this work is to investigate the link between entrepreneurial orientation and corporate performance of SMEs in Lagos State, Nigeria. the specific objectives are to;

I. Determine the link between innovativeness and profitability.
II. Investigate how innovativeness relate with operational efficiency.
III. Examine the link between risk-taking and profitability.
IV. Examine how opportunity risk-taking with firm's innovativeness.

Research Hypotheses

HO_1: There is no significant relationship between innovativeness and profitability.

HO_2: There is no significant link between innovativeness and operational efficiency.

HO_3: There is no significant relationship between risk-taking and profitability.

HO_4: There is no significant relationship between link risk-taking and operational efficiency.

2.0 Review of Related Literature

This study is based on Knowledge Based View Theory (KBVT). The theory opined that knowledge is the most significant explanatory component, and that the kind of knowledge (tacit, socially constructed) is a major determinant in improving understanding of firm behavior which could affect their performance. The knowledge-based view may be a valuable foundation for developing successful firm innovations by understanding the nature of this complex business phenomena (Gupta, 2011). The company's resource base is made up of assets that are based on knowledge. Because it believes corporations to be diverse entities laden with knowledge, the KBV of the firm is an extension of the Resource Based View of the firm (Scarborough et al., 1999). The firm's KBV has sparked a lot of attention because it illustrates how academics has recognized the fundamental economic shifts that have resulted from the accumulation and availability of knowledge over the last two decades. Begona (2008) describes knowledge management techniques based on business management research, all of which consider knowledge as a solution to today's new competitive issues. Information and knowledge creation systems, as well as strategic management and innovation, are all included in the knowledge management practices theory. As a result, the theory of knowledge management practices is related to the variable of entrepreneurial orientation and performance.

Concept of Entrepreneurial Orientation

Entrepreneurial Orientation (EO) has been acknowledged as a determinant for firm growth and profitability. So, in other word EO is key ingredient of a success venture. Using this definition and prior literature, entrepreneurship researchers have used the term entrepreneurial orientation to describe a „fairly consistent set of related activities or processes (Lumpkin & Dess, 1996;). Based on Miller (1983) conceptualization, three dimensions of EO have been identified and used consistently in the literature as Innovativeness, risk taking propensity, and pro-activeness. These dimensions represent distinct constructs that may vary independently of each other in a given context (Donatus, 2008). The importance of entrepreneurial orientation to the survival and performance of firms has been acknowledged in the entrepreneurship literature (Zahra & Garvis, 2000; Wiklund & Shepherd, 2005).

Innovativeness

Covin and Slevin (1989) describe innovativeness as an organization’s proclivity for idea creation, experimentation, and research and development. Additionally, innovativeness is described as a business’s capacity and willingness to pursue novel ideas or to innovate and develop procedures that result in new goods. Covin and Miles (1999) concur that entrepreneurship cannot survive without innovativeness and that innovativeness is a critical component of company survival strategies. Numerous studies have shown a favorable correlation between innovation and business success (Justine et al. 2005). Wang and Ahmed (2004) define innovativeness as an organization’s total capacity for bringing new goods to the market or expanding existing markets via a mix of strategic orientation and innovative behavior and processes. Innovativeness is a measure of a firm’s proclivity for and support of innovative ideas, experimentation, and creative processes that result in new goods, services, or technical processes.

Risk-Risk

Risk-taking refers to a company's proclivity for high-risk initiatives as well as management preferences for daring vs cautious measures in order to accomplish company goals. Risk-taking entails committing substantial resources to possibilities that have a realistic possibility of both expensive failure and success. Risk-taking orientation denotes a readiness to invest resources in methods or initiatives with a high degree of uncertainty about the result (Wiklund & Shepherd, 2005). Experiments, market testing, information acquisition, and the usage of networks may all help to reduce risk. Risk taking entails devoting big resources to activities with high failure probabilities, such as incurring heavy debt or making large resource commitments, with the goal of reaping potential high rewards. Finally, managers differ in their proclivity to take risks. However, there is evidence that prone risk managers are important in achieving innovation results (e.g. Ling et al., 2008).

Concept of Corporate Performance

A precise definition of performance has not been fully postulated because it covers various organizational outcomes. Performance in the organizational sense is generally characterized as the degree to which an organizational member contributes to the achievement of the organization's goals. For service-oriented companies' workers are a key source of comparative advantage (Luthar, 1996). Lebans and Euske (2006) offer a series of concepts that explain the idea of organizational performance where they opined that performance is a collection of financial and non-financial metrics that provide details about the degree to which goals and outcomes are accomplished. Performance can be explained using a causal model which explains how current behaviour will influence future outcomes. Depending on the person involved in evaluating the organizational performance, performance can be understood differently (e.g. performance can be understood differently from a person within the organization as compared to one outside). Performance in organization are like life blood of the organization which help in sustaining the operation of the organization.

Profitability

Profitability, more than any other accounting metric, demonstrates how effectively management performs in terms of investment and finance choices. Profitability ratios indicate the efficiency with which a business's management generates profits on sales, total assets, and, most crucially, shareholders' investment. As a result, everyone whose economic interests are dependent on an industry's long-term existence will be interested in profitability measures (Moyer, *et al*, 2006). Profitability must be addressed since industry expansion is unlikely to be maintained without earnings available for investments in the business. This component of growth may be quantified in terms of net profit margins or return on assets. This also indicates that high performance enterprises must achieve economic success. Delmar *et al*. (2003) provide an alternative perspective, arguing that although profits are a crucial signal of success, the link between earnings and size is only apparent in aggregates of companies or over extended periods of time for individual enterprises. Profitability is a metric that indicates how successfully a business can create profits through operational procedures that have been developed to assure the business's future viability (Manoppo & Arie, 2016).

Operational Efficiency

Operational efficiency is a positive result of a comparison between the inputs and the results obtained. Mandl et al . (2008) argue that efficiency is the relationship between inputs and effects, so efficiency shows effects irrespective of the inputs or resources needed to achieve the goals. Robbins and Coulter (2005) note that productivity requires achieving the highest output possible from the smallest input quantities. The research in question discusses different approaches for calculating operational performance. Mandl et al. (2008) argue that the output cannot be specifically calculated, so various statistical methods and analytical methodology are used. According to Koh and Saad (2007), methods frequently used are benchmarking or comparative analysis. From Venkatraman and Ramanujam's (1986) perspective, financial performance and operational efficiency are key determinants of a company's efficiency. Although the financial sector comprises metrics such as sales growth, productivity and earnings per share, the business region is inter alia connected to factors such as market share, the launch of new goods, product efficiency and added value in manufacturing. The way output is assessed however varies greatly.

Empirical Review

Falahat, Tehseen, and Van Horne (2018) created a methodology for evaluating the effect of entrepreneurial innovativeness (EI) on the performance of SMEs. This study specifically examines the effect of EI on the four kinds of company success. They used SEM-PLS to put their suggested theoretical framework to the test on a dataset of 450 Malaysian SMEs in the wholesale and retail industries. Their results showed that entrepreneurial innovativeness had a substantial beneficial effect on three kinds of company performances: perceived non-financial, perceived business growth, and perceived performance compared to rivals. However, according to their results, improved financial success did not result from entrepreneurial innovativeness. This research adds to the current body of knowledge on innovation by examining the effect of the most important innovative practices on the four dimensions of SMEs' performance in the setting of wholesalers and retailers. Nwangwu, Ozigbo, Ngige, and Ugwu (2020) looked at the impact of innovativeness on youth economic empowerment, as well as the impact of risk-taking capacity and change orientation on youth economic empowerment. The study used a survey research design and used a quantitative research method. All 321 registered sachet water businesses in Anambra state were included in the target population. Purposive/judgmental sampling was used to choose 321 respondents from the population. The research received a good response, with a response rate of 96.88 percent (311). The hypotheses were tested using multiple regression analysis. Risk-taking has a substantial beneficial impact on adolescent economic empowerment, according to the research. Change orientation has a substantial beneficial impact on young economic empowerment, according to the research.

In Nigeria, Zannah and Mahar (2021) investigated the impact of innovation, risk taking, and proactiveness on the success of small and medium businesses. In addition, the microfinance institution plays a moderating function. A total of 340 surveys were sent to SMEs' owners and managers, with 308 being returned satisfactorily. Entrepreneurs improve the success of small and medium businesses through innovating, taking risks, and being proactive. The data is analyzed using the descriptive statistic Pearson correlation analysis. The findings reveal a strong and favorable connection between EO (innovation, risk-taking, and proactiveness) and the success of Nigeria's small and medium-sized businesses. Only innovation and proactiveness were shown to be statistically significant predictors of small and medium size businesses in Nigeria, whereas risk taking was found to be statistically insignificant.

3.0 Methodology

This enquiry utilized cross-sectional survey and a population of 2596 SMEs in Lagos State was covered. A sample size of 310 were drawn from the population using Krejcie and Morgan (1970) table. The simple random sampling was adopted and the data were gathered using copies of questionnaire which were personally administered to respondents. The predictor variable (entrepreneurial orientation) was measured using innovativeness and risk taking. The criterion variable was operationalized using profitability and operational efficiency. 5 items were used in measuring each of the variables and the item were given on a 4-point likert scare ranging from strongly disagree,, disagree, agree and strongly agree. The Spearman Rank Order Correlation was used in testing the stated hypothesis.

4.0 Results

Drawing from the total 310 questionnaire administered, 267 were successfully retrieved, however, 24 of the retrieved questionnaires were not correctly filled and only a total of 243 were well filled and used for the Analysis.

Table 1: Innovativeness and Measures of Corporate performance

			Innovativeness	Profitability	Operational Efficiency
Spearman's rho	Innovativeness	Correlation Coefficient	1.000	**. 564**	**.723**
		Sig. (2-tailed)	.	**.000**	**.000**
		N	243	243	243
	Profitability	Correlation Coefficient	**. 564**	1.000	.065
		Sig. (2-tailed)	**.000**	.	.569
		N	243	243	243
	Operational Efficiency	Correlation Coefficient	**. 723**	.065	1.000
		Sig. (2-tailed)	**.000**	.569	.
		N	243	243	243

Table 1 above showed the link in innovativeness and the measures of corporate performance (profitability and operational efficiency). The P-value was less than 0.05 which indicated that innovativeness relates significantly with profitability and operational efficiency. The correlational value of 0.564 revealed a strong link in innovativeness and profitability and a strong link was also observed in innovativeness and operational efficiency with a correlational value of 0.723. The null hypothesis was rejected and the alternate was accepted.

Table 2: Risk-Taking and Measures of Corporate performance

			Risk-Taking	Profitability	Operational Efficiency
Spearman's rho	Risk-Taking	Correlation Coefficient	1.000	**. 326**	**.318**
		Sig. (2-tailed)	.	**.000**	**.000**
		N	243	243	243
	Profitability	Correlation Coefficient	**. 326**	1.000	.051
		Sig. (2-tailed)	**.000**	.	. 231
		N	243	243	243
	Operational Efficiency	Correlation Coefficient	**. 318**	.051	1.000
		Sig. (2-tailed)	**.000**	.231	.
		N	243	243	243

Table 2 revealed that the P-value was less than 0.05 which indicated that risk-taking relates significantly with profitability and operational efficiency. The correlational value of 0.326 revealed a moderate link in risk-taking and profitability and a moderate link was also observed in risk-taking and operational efficiency with a correlational value of 0.318. The null hypothesis was rejected and the alternate was accepted.

5.0 Discussion of Findings

This study critically examined how entrepreneurial orientation relate with performance of SMEs in Lagos state. From the analysis, innovativeness has a strong and positive relationship with profitability of SMEs. This indicates that an increase in the innovativeness of the SMEs will create a favorable position for them to enhance their profitability level in the industry. Innovativeness further help create perceived difference in the product of the organization which attracts customers to the product and thus enhance their profitability. Innovativeness also improves the operational efficiency of the SMEs. Achieving efficiency in operations in one of the focus of organizations because inability to improve efficiency can lead to drawback in the organization. In this era of tremendous dynamism, organizations that wishes to remain relevance and to maintain high profitability level must remain innovative in order to adapt to changes in taste and preferences.

Risk-taking among owners of organization, does influence their profitability and total fortune. Risk taking has a significant and positive relationship with profitability. This positive link of

0.326 revealed a moderate link among risk-taking and profitability. Again, a moderate relationship exists amongst risk-taking and operational efficiency with a correlational value of 0.318. Hence, the null hypotheses of the study were rejected and the alternate hypotheses were accepted. These findings align with that of Falahat, Tehseen, and Van Horne (2018) whose study maintained that entrepreneurial innovativeness is a key factor in boosting the performance of SMEs. The outcome also align with that Zannah and Mahar (2021) which observed that innovativeness and risk taking help enhance the success of organizations.

Conclusion and Recommendations

Organizations are consistently becoming aware of the reality that entrepreneurial orientation play a vital role in achieving and sustaining the performance of SMEs in the industry. Technology become easily obsolete and customers taste changes very rapidly, hence organizations that are able to stay innovative, are able to satisfy customers maximally and there are also able to maintain maximum profit level. Innovativeness in organizations help in increasing profitability and operational efficiency of the SMES in Lagos state. Risk taking is an essential aspect of organizations because no organization operate in a very stable environment. Hence, taking risk is a frequent activity and the ability of the organization to take calculated risk will result in improved profitability and enhances operational efficiency. In conclusion, the orientation of entrepreneurs in terms of risk taking and innovativeness, help in improving the performance of the SMEs. Drawing from the conclusion and in alignment with the findings, the following recommendation are hereby proffered;

i. Entrepreneurs should always introduce some element of innovation in their product or services as such will help boost their profitability.
ii. Owners of SMEs should seek for innovative ideas that will be relevant in enhancing their operational efficiency which will help enhance the firms fortune.
iii. Entrepreneurs need to take calculated risk which may help boost the profitability level of the firm.
iv. Entrepreneurs should constantly scan the business domain to identify when to take necessary actions as such will help increase their operational efficiency

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