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ENTREPRENEURIAL ORIENTATION INDICES AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN SOUTHWEST, NIGERIA

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ABSTRACT

The study examined how entrepreneurial orientation indices could be used to champion the performance of small medium scale enterprises in Southwest, Nigeria. Two null hypotheses were tested. A correlational research design was used. The population comprised 43,404 registered owners of SMEs in Southwest, Nigeria. Using purposive sampling technique, only SMEs operating in Lagos and Oyo States were selected. Stratified sampling technique was used to select 250 SMEs as sample size. A self-developed instrument titled Entrepreneurial Orientation and Performance of Small and Medium Scale Enterprises Questionnaire (ENOPSMESO), with a reliability coefficient of r = .93 was used for data collection. Hypothesis 1 was tested using PPMC and Hypothesis 2 was tested using multiple regression analysis at the 0.05 level of significance. The findings revealed that there was a significant relationship between the independent variables and the dependent variable (SMEs performance) in the following order of magnitude proactiveness ($r = 0.846$, $P < .05$), competitive aggressiveness ($r = 0.456$, $P < .05$), innovativeness ($r = 0.433$, $P < .05$), autonomy ($r = 0.360$, $P < .05$) and lastly risk-taking ($r = 0.073$, $P > .05$). The ANOVA results from the regression analysis revealed that there was a significant effect of the independent variables on the dependent variable: F (5, 232) = 233.482, $P < .05$. The study recommended that SMEs owners should anticipate customers' needs, that is, monitor market changes continuously to address customer demands before competitors react.

Keywords: Proactiveness, competitive aggressiveness, innovativeness, autonomy, risk-taking, performance

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Introduction

The role of small medium scale enterprises (SMEs) seems to be germane towards economic development in the form of employment creation, poverty reduction and ability to use local materials as well as supplying larger firms. SMEs are important for nation building and their operations are important for the overall economy. Small and medium-sized enterprises (SMEs) performance is the ability of a small or medium size business to achieve its objectives in terms of financial, operational and market performance. Good performance means a healthy business, and vice versa. The Small and Medium Enterprises (SMEs) contribute to economic growth in the areas of job generation, poverty alleviation, local innovation and Gross Domestic Product (GDP) growth (Oladele et al., 2022). A vibrant SME sector results in increased household incomes, improved resource utilisation and a more resilient national economy. But Okechukwu and Ipingagba et al (2025) contended that the performance of SMEs can be measured by the indicators of SMEs including operational efficiency (non-financial measurement).

Operational efficiency refers to the degree of effectiveness that an SME demonstrates in converting resources (such as labour, capital and time) into products or revenue. For SMEs, it can be used as a performance indicator to know whether the business will be able to cope with the difficult market changes by cutting down on waste and costs without compromising on quality. Edinen (2021) has reiterated that operational efficiency translates to output maximisation which directly supports the very tight cash flow, enhance profit margins and creates the agility necessary for coping with market shifts. Similarly, Sani et al. (2025) agreed that operational efficiency enables the Nigerian Small and Medium Enterprises (SMEs) to do more with less, as it reduces wastage, saves time, and reduces the cost. It helps companies deal with the challenges of budget constraints, unpredictable public supply and unreliable transportation, and improve company productivity.

The Nigeria's present economic environment, characterized by extensive foreign exchange reforms, elimination of fuel subsidy, and inflation hovering around 15.9 percent in double digits has significantly impacted the performance of the small and medium enterprises (SMEs) (Kio & Daniel, 2025). Although macro indicators reveal the national growth, small businesses are suffering from crushing operational costs, weak consumer purchasing power and high borrowing rates. In the current scenario, the performance of SMEs in the country is down and therefore Mohammed et al (2026) accepted that entrepreneurial orientation may help in sustaining the performance of SMEs. Okechukwu (2026) found that EO helps small businesses thrive and survive during adverse economic conditions by fostering rapid innovation, savvy risk taking and proactive adaptation of market changes. It provides companies with the flexibility to identify new opportunities and adapt their business models when traditional approaches fail. Some indices that could influence SMEs' performance and success were entrepreneurial orientation index which includes innovativeness, proactiveness, risk taking, autonomy, and competitive aggressiveness.

Entrepreneurial orientation (EO) innovativeness is the company's disposition to encourage and implement new ideas, creative processes and experimentation, resulting in the development of new products, services or technological processes (Emegwara et al., 2025). It embodies an intrinsic drive to break free from established norms and conventions in the search for value creation in the marketplace. Entrepreneurial orientation innovativeness is useful for small businesses to help them survive the challenging economic times by generating new products, reducing expenses with effective processes and identifying new markets before other firms. Entrepreneurial orientation is the proactive approach, rather than reacting to events after they occur, to anticipate and act on future needs, trends and opportunities. The proactiveness of

entrepreneurs helps to enhance the performance of Small and Medium Enterprises (SMEs) because it enables the business to identify market opportunities early, influence industry trends and gain the first-mover advantage over other businesses in the market (Okechukwu, 2026). Entrepreneurial risk-taking is the willingness of a business owner to make choices and take actions when the final result is unclear, with a real chance of failure or money loss and drives Small and Medium Enterprises (SMEs) performance by enabling businesses to seize untapped opportunities, adapt to dynamic markets, and secure competitive advantages. While entrepreneurial autonomy is the freedom and self-determination that a business owner or founder has to make independent choices about what work is done, when it happens, and how the business is run and aids small and medium enterprise (SME) performance by speeding up responses to market changes and sparking creative problem-solving (Sani et al., 2025). According to Edinen (2021), entrepreneurial autonomy improves SME productivity because the business owner and the workers are able to make rapid decisions and experiment new ideas without tedious red tape. When a firm reacts strongly and directly to challengers in order to outperform them, move into their markets or strengthen their position in its industry, it exhibits competitive aggressiveness, which is a main driver of small and medium sized enterprise (SME) performance by enabling rapid reactions to rivals, to achieve larger market shares, and to achieve faster sales growth. The concept of entrepreneurial orientation influences the performance of SMEs as it affects the process of opportunity recognition in a business, as well as the process of risk taking and the performance of the business compared to the competition.

The theoretical approach for this study was Resource Based View (RBV) by Birger Wernerfelt (1984). The theory implied that firms achieved performance by utilizing their internal resources as well as competition in the marketplace. The theory emphasized that entrepreneurial orientation (EO) is a strategic capability which helps a firm to utilize those resources more effectively to enhance performance. It found that the factors that enhance SME performance are: (autonomy) enables workers to act independently and creates unique and hard-to-copy internal resources, as well as (proactiveness) act ahead of the competition to chase new market opportunities and shape the future market, and (innovativeness) is trying new ideas, experimenting, and creating new products or processes, where the combination of the three factors is willingness to commit to heavy resources for ventures with uncertain outcomes (risk taking). The relevance of the above framework in this study was that the Resource Based View (RBV) was able to make the small and medium size enterprises (SMEs) more effective by focusing on their internal strengths as opposed to competition in the market. Even though there are related studies on the role of SMEs in enhancing their performance, Mohammed et al. (2026) studied the role of entrepreneurial orientation in enhancing SMEs performance in Adamawa state, adopted survey research design and concluded that entrepreneurial orientation factor such as proactiveness is a determinant factor that hone SMEs performance, as it enables them to predict market changes and grab new opportunities before major players. Emegwara et al. (2025) study revealed that the entrepreneurial orientation innovativeness positively portrays the achievement of the companies, while Edinen (2021) study concluded that entrepreneurial autonomy and competitive aggressiveness are positive values that promote SMEs performance and sustainability in the long term.

Sani et al. (2025) explored the relationship between determinants of entrepreneurial orientation (autonomy and proactiveness) with sustainability and success of SMEs in a competitive market. They came to the conclusion that autonomy and proactiveness are signpost of entrepreneurship orientation which generates the performance of SMEs. In Lagos state, Oladele et al. (2022) carried out how entrepreneurial orientation indices such as competitive aggressiveness

could promote small and medium enterprises (SMEs) performance. They found that the use of questionnaire as a data collection method is positive and the variable entrepreneurial orientation which is competitive aggressiveness has the ability to improve the performance of the SMEs. In the case of Okechukwu (2026) Studies were carried out to determine the effect of competitive aggressiveness on the performance of SMEs in Nigeria State with descriptive design. The author concluded that there was a significant positive relationship between the competitive aggressiveness and SMEs performance.

In addition, Samule et al. (2025) investigated the competitive aggressiveness as enabler for success and performance of small enterprises in Kenya's textile industry. They used a survey approach and concluded that the competitiveness aggressiveness has a direct relationship with the performance of SMEs in Kenya. Similarly, in Nigeria, Ipinsagba et al. (2025) examined the combined impact of autonomy and competitive aggressiveness on the performance of the business with qualitative data. The main tool of the collection was a questionnaire. They used Partial Least Squares Structural Equation Modeling (PLS-SEM) and found that independent variables (autonomy and competitive aggressiveness) are antidotes for small business performance and growth. Using the quantitative survey approach, Okoro and Barisi (2025) looked at the relationship between entrepreneurial financial success and entrepreneurial proactiveness on the small business in River State tertiary institution campuses in Nigeria. They additionally included a descriptive design of survey type. They found that the financial success and proactiveness of entrepreneurs had a positive relationship to small business performance and sustainability.

What is the problem?What is the issue to be addressed?

Although, the role play by Small and Medium Enterprises (SMEs) in economic development of a nation cannot be overemphasis. The Small and Medium enterprises (SMEs) in Nigeria are the mainstay of the country's economy as they make up 96% of the total number of businesses and almost 84% of the job of the nation, contributing to the Gross Domestic product (GDP) of the country by about 48% (Mohammed et al., 2026). Yet, due to this huge presence in the economy, their performance is severely hampered by the macro-economic and structural headwinds, and many are operating to stay alive, not grow. In a report released by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Nureau of Statistics (NBS) (2025), it is revealed that about 64.5% of the micro-enterprises earn sales turnover of less than N50,000 per month. More than half of small firms experience weak demand and high costs that cause them to struggle or fail in the first year, and more than 95% fail to make it to their fifth year. About 78% of small businesses have to use costly diesel or petrol generators, as their electrical grid is unreliable. Fuel subsidy cuts have a significant impact on the overhead costs of operating everyday. One major factor contributing to the failure of up to 80% of small business within the first five years is the failure of government and other key stakeholders to make effective contributions to the performance of Small and Medium Enterprises (SMEs). The study therefore aimed to explore the possibility of using the entrepreneurial orientation indices to promote the performance of the small medium scale enterprises in Southwest Nigeria.

Objectives of the Study

The main objective of the study was to examine how entrepreneurial orientation indices could be used to champion the performance of small medium scale enterprises in Southwest, Nigeria. Specifically, the study sought to:

1. examine the relationship between entrepreneurial orientation indices (innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness) and small and medium scale enterprises performance in Southwest.

2. determine the composite contribution of entrepreneurial orientation indices on small and medium scale enterprises performance in Southwest.

Hypotheses

$H_0$1: There is no significant relationship between entrepreneurial orientation indices and small and medium scale enterprises performance in Southwest.

$H_0$2: There is no significant composite contribution of entrepreneurial orientation indices on small and medium scale enterprises performance in Southwest.

Methodology

A correlational research design was used. The reason for the use of this design was that the study sought to determine the statistical relationship between two or more variables which none were manipulated. The study population consisted of 43,404 registered Small and Medium Enterprises (SMEs) owners in Nigeria Small and Medium Enterprises Development Agency (SMEDA). But purposive sampling technique was used, only Lagos and Oyo States were selected because the two states were the most commercial state in terms of business development in Southwest Nigeria. Using stratified sampling technique, a total of 250 SMEs were selected from Lagos and Oyo states. 150 SMEs from Lagos, and 100 from Oyo states. The data collection tool used was a researcher-made questionnaire entitled Entrepreneurial Orientation and Performance of Small and Medium Scale Enterprises Questionnaire (ENOPSMESQ). The instrument was divided into two parts A and B. The focused was on demographic features of respondents while the B involved was related to innovativeness, proactiveness, risk taking, autonomy and competitiveness aggressiveness) and small medium scale enterprises performance. The content validation was carried out by three experts from the Department of Business Education, Tai Solarin Federal University of Education. Prior to the use of the instrument for data collection, all the presented issues were rectified and corrected. A reliability exercise was carried out among 45 SMEs in Ogun State and the data obtained were subjected to Pearson Product Moment Correlations (PPMC) that gave a reliability coefficient of (r = .93). The researcher used 5 trained research assistants for the survey of the respondents by distributing the questionnaire. 250 questionnaires were sent out and 239 (95.6%) were returned and used for analysis. The hypotheses were tested at 0.05 level of significance with PPMC for Hypothesis 1 and multiple regression analysis for Hypothesis 2.

Presentation of Results

$H_0$1: There is no significant relationship between entrepreneurial orientation indices and small medium scale enterprises performance in Southwest, Nigeria.

Table 1: Correlation matrix between entrepreneurial orientation indices (innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness) and small medium scale enterprises performance in Southwest, Nigeria

Variables	Mean	Std. Dev	SMEs	I	P	RT	A	CA
SMEs Performance	13.1590	2.07826	1.000					
Innovativeness (I)	13.2050	2.21810	.433**	1.000				
Proactiveness (P)	13.7950	1.98413	.846**	.398**	1.000			
Risk-taking (RT)	12.2134	2.23993	.157*	.261**	.119	1.000		
Autonomy (A)	13.3013	1.90346	.360**	.270**	.526*	.206**	1.000	
Competitive aggressiveness (CA	12.5900	2.08417	456**	775**	228**	442**	.060	1.000

Source: Field Survey *2026*

From Table 1, it was observed that there was significant relationship between the independent variables and dependent variable (SMEs performance) in the following order of magnitude proactiveness (r = 0.846, P < .05), competitive aggressiveness (r = 0.456, P < .05), innovativeness (r = 0.433, P < .05), autonomy (r = 0.360, P < .05) and lastly risk-taking (r = 0.157, P >.05). This meant that the null hypothesis was nullified. The researchers were able to draw the conclusion that there existed a positive relationship between entrepreneurial orientation indices (innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness) and small medium scale enterprises performance in Southwest, Nigeria. But, the proactiveness of the entrepreneurs and the competitive aggressiveness of the SMEs have greater impacts on their performance.

$H_0$2: There is no significant composite contribution of entrepreneurial orientation indices on small medium scale enterprises performance in Southwest, Nigeria.

Table 2: Composite contribution of entrepreneurial orientation indices on small medium scale enterprises performance in Southwest, Nigeria

R = .913
R^2 = .834
Adj R^2 = .830
Std. Error = 0.85676
ANOVA

Source of Variation	SS	df	MS	F-ratio	P
Regression	856.927	5	171.385	233.482	0.000
Residual	171.032	232	.734		
Total	1027.958	237			

Dependent variable: SMEs performance
Independent variable: Entrepreneurial orientation indices

Table 2 showed that the entrepreneurial orientation indices of the independent variables (IVs) had significant composite contribution on small medium scale enterprises (SMEs) performance in accordance with R = 0.913, P < .05. The table also indicated that 83.0% (Adj. R2 = 0.830)} that about 83% of the variance in small medium scale enterprises performance were accounted for by the linear combination of the independent variables. The ANOVA results from the regression analysis revealed that there was significant of the independent variables on the dependent variables; F (5, 232) = 233.482, P <.05. Therefore, the null hypothesis was rejected and the researchers came to the conclusion that there was significant composite contribution of entrepreneurial orientation indices on small medium scale enterprises performance in Southwest, Nigeria.

Discussion of Findings

The results of the study showed that entrepreneurial orientation indices (innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness) were significantly related to the performance of small medium scale enterprise in Southwest of Nigeria. The results were also with the findings of Edimen (2021) which revealed that there is a positive relationship between small and medium enterprise (SME) performance and competitive aggressiveness as major competitiveness in the business environment can be made by taking action quickly and strongly against the competitors that will help the business to gain market share and improve their profitability. The authors Sani et al. (2025) confirmed that the entrepreneurial autonomy and proactiveness traits of Entrepreneurial Orientation (EO) have positive relationships with the performance of Small and Medium Enterprises (SMEs) because they help firms adapt, innovate and quickly establish ownership in the market before their competitors. The result of the study

conducted by Oladele et al (2022) revealed that the small and medium enterprises (SMEs) performance positively correlated with entrepreneurial innovativeness as creative ideas, new products and improved processes assist in outcompeting the competitors and the growth of the firm. In addition, it revealed that risk taking is positively correlated with performance of SMEs. However this index (risk-taking) is the lowest weakest index to the performance of SMEs. This finding is consistent with the findings of Ipinsagba et al. (2025) who found that the direct effect of risk-taking on the performance of small and medium enterprises (SMEs) is low and has a negative impact in cases of poor management but a positive effect in cases of good management.

The study also showed that there was a significant composite contribution of entrepreneurial orientation indices on the performance of small medium scale enterprises in the southwest, Nigeria. The findings were in line with Mohammed et al. (2026), who found that the composite effect of entrepreneurial orientation (EO) indices are similar to the impact that the overall set of strategic behavior namely innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy have on the success, growth and survival of small and medium-scale enterprises (SMEs). Okechukwu (2026) said rather than working in isolation, these five indices blend together to create an organizational culture that drives financial and non-financial performance of SMEs. Emegwara et al. (2025) concurred that while some indicators have lesser direct impact (e.g., entrepreneurial being proactive and competitive aggressive on SMEs in resource constraints), having the all the dimensions will have a great strategic posture. The composite index shows higher explanatory power (R^2) for business growth, sales turnover and customer retention when used individually, than when used together.

Conclusion

The following conclusions were drawn from the findings of the study, the count of which was analyzed using entrepreneurial orientation indices to champion the performance of small medium scale enterprises (SMEs) in Southwest Nigeria; The entrepreneurial orientation indices, namely innovativeness, proactiveness, risk taking, autonomy, competitive aggressiveness have positive relationship with the performance of SMEs in Southwest Nigeria, and this relationship is statistically significant.

Recommendations

Based on the conclusions of the study, it is recommended that the following take place:

1. During the process, SMEs owners should pay attention to their customers' needs, meaning they need to track market developments on a regular basis and respond to their customers' needs before their competitors.
2. Goal setting with proactive initiative-taking to enhance operational efficiency and profit margin of SMEs performance.
3. Investing in improved production processes, digital tools or workflow automation will lower the costs of the unit, boost production capacity and improve performance.
4. SME entrepreneurs and managers take decisions independently to align them to their corporate visions and compete and secure sustainable advantage and develop their firms.
5. SMEs should internalize an attitude to take calculated risk. This can be done with training initiatives focused on innovation and flexibility in the face of unknown market dynamics.

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