

# ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE OF NON-OIL EXPORTING SMEs IN LAGOS STATE, NIGERIA

**Adesanya Oluwatoyin D, Covenant University**  
**Iyiola Oluwole O, Covenant University**  
**Borishade Taiye T, Covenant University**  
**Dirisu Joy I, Covenant University**  
**Olokundun Maxwell A, Covenant University**  
**Ibidunni Ayodotun S, Covenant University**  
**Omotoyinbo Charles A, Covenant University**

## ABSTRACT

*Evidences abound on the importance of entrepreneurship and its orientation on the development of economy of the world. It has been established by literature that to keep growing especially in a developing economy like Nigeria, SMEs are key factors due to their resilience attitude propelled by their orientations. This study therefore assessed how the entrepreneurial orientation (EO) (innovativeness, risk-taking and pro-activeness) influenced the performance of exporting small and medium enterprises (SMEs) in Lagos State Nigeria. It adopted a Descriptive research design via the structured survey instrument- questionnaire administered to a sample of 134 exporters handling non-oil export in medium and low-technology manufacture industries, mechanised agriculture and as suppliers of merchandise. The data collected were analysed using regression analysis with aid of the Statistical Package for Social Sciences (SPSS version 23). The result of the descriptive data imply that entrepreneurial orientation works better when all the features are put to use as a whole than as individual, then the contributions will have greater impact on the performance of the firm. However, their innovativeness was low. Therefore, entrepreneurial innovativeness should be encouraged and enhanced by improving the domestic and foreign technological networking for competitive innovations in the foreign markets. Besides, entrepreneurship education should be promoted to permeate the socio-economic environment with attributes necessary for sustainable growth, the export production base should be upgraded technologically to enhance innovativeness, as well as stable and positive trade policies and regulations among other factors should be entrenched in the system to improve the socio-economic environment stressor.*

**Keywords:** Entrepreneurial Orientation, Exporting SMEs, Non-oil Export, and Performance.

## INTRODUCTION

The non-oil exporting SMEs represent one of the fastest growing sectors of the economy on which the much needed foreign exchange revenue inflow, employment, economy

improvement, poverty reduction and ultimate growth hinges on. The non-oil sector is made up of any other resources apart from crude oil and gas industry and its allied products like agriculture, telecommunication, manufacturing, construction, tourism, real estate, finance and services sector (Onodugo et al., 2013). Structurally, the primary sector comprises agriculture, the secondary sector consists of the processing and manufacturing aboard in the informal sector; and the tertiary sector include services, which are structurally dual (Awolowo, 2016; Sanusi, 2010). Each segment's contribution to the economy ranges-14% from oil resources; information and communication sector contributes 13%; agriculture gives 23%; and 60% from tertiary (Services) sector creating GDP growth rate of 5.4%; thereby becoming one of the fastest growing economies in the world (Awolowo, 2016). Sanusi (2010) posited that Nigerian economy is import dependent and gives negligible attention to non-oil exports but depends on export of crude oil and gas significantly for its foreign exchange inflow of revenue. Though, Nigeria drive for non-oil export diversification has been intensified, yet, the exporting SMEs which are main driver of the economic growth engine are under capacitated due to the volatile business environment stressors and competitiveness issues hinged on strategic nexus of the SME private sector into the non-oil export sector (PWC, 2016; Okpara and Koumbiadis, 2016). The survival arsenal helping the entrepreneurs in the turbulent business environment is the resilience propelled by the orientation- risk-taking, pro-activeness and innovativeness propensities. Hence, this study examined the relative contribution and the extent of the influence of each of the features of entrepreneurial orientation on the performance of non-oil exporting SMEs in Lagos state. The formulated hypothesis was:

*H<sub>0</sub>: Entrepreneurial orientation does it significantly affect the performance of non-oil exporting SMEs in Nigeria.*

## LITERATURE REVIEW

### Concept of Entrepreneurship Orientation (EO)

Entrepreneurial Orientation (EO) come into sight in strategic management and entrepreneurship literature construct. It explains the psychology of SMEs in pursuit of entrepreneurial ventures; the process, their practices based on decision-making pattern, and their behaviours generally (Soininen, 2012). EO has been described as an antecedent to growth and performance differences in firms, in both domestic and foreign markets. It is entrepreneurial vigour driving the firm competitiveness (Covin and Wales, 2012), enabling it compete in a volatile economic environment (Eggers, 2013), thereby perceiving new opportunities invisible to others (Gupta, 2015). Entrepreneurship Orientation (EO) is categorised by Miller (1983) as risk taking, innovativeness and pro-activeness outlook; but was broadened by Lumpkin and Dess (1996), with autonomy and competitive aggressiveness mind-sets. In other words, EO is characterised by five attributes: innovativeness, risk taking, pro-activeness, competitive aggressiveness and autonomy; even though Wiklund (1999), posited that most researchers settle for Miller's combination, which has been connected primarily to SMEs performance (Covin and Slevin 1990; Kabiri and Saleh, 2013). Risk-taking attribute of SMEs is the commitment on the part of management to strategically exploit business opportunities identified which may have high inclination of uncertainty due to the newness of the initiative to the firm. It is the capacity of

the firms' to view the foreign market as opportunity to be pursued positively despite the volatility, engenders success in export ventures (Okpara, 2009). Pro-activeness refers to a firm's initiative in anticipating and seizing future opportunities in the marketplace to pioneer new changes in processes and product (Lisboa, 2011) It defines the capability of the firms' entrance to the export market *via* inference from SWOT analysis conducted to identifying the opportunity trend in the market, and exploiting them with the use of human capital expertise to be on top of competition (Okpara, 2009). Firms' pro-activeness is related to the dimensions of the firms' innovativeness (Pérez-Luño, 2011). Innovation points to the incitement and use of new concepts to develop new or improve technology, processes and product; and the ultimate introduction of the products to the market system (Gil-Pechuan, 2013). Innovativeness is the firms' commitment to processes and firms' internal blueprints modifications in a way that it cannot be copied by the competitors, nor easily transferred in other to achieve competitive export (Welbourne, 2012; Baker, 2009).

### **Exporting SMEs Internationalization and Performance**

The firm-level internationalization is explained as the expansion of business operations to other geographic locations, through market diversification, that reduced the firms' dependency on domestic markets (Matanda, 2012). By engaging in international operations, production capacities of the firms increase to achieve economies of scale resulting into lower costs, optimal allocation of resources, efficiency in attaining new markets and learning effect. Response, by entrepreneurial approach to dynamic customers' demands necessitates innovation; incessant improved and enhanced products which consequently strengthen the firms competitive acuity in the domestic and foreign markets (Yli-Renko and Janakiraman, 2008; Wach and Whermann, 2014). Internationalization, especially exporting, requires all-inclusive strategic planning which determines various level of involvement among SMEs due to risk and advantage perception of the managers (Jain, 1989). Entrepreneurs, who diagnose export environment as favourable are usually pro-active and tend to hunt for necessary information to make strategic decisions for market entry and foreign operations. Conversely, managers that perceived exporting environment as unfavourably, avoids internationalization (Ritam and De, 2012). The mechanism of export demands entrepreneurial and managerial capabilities which involve ability to be pro-active, embrace risk, spirited foreign market volatility and innovative ability for value creation (Javalgi, 2011). Exporting is taking bold steps to entering challenging new ventures which necessitate extra costs and commitment which are not incurred by the non-exporting SMEs. It entails appropriate marketing mix- sourcing and selecting target market(s) where the products are in demand, creating suitable products, determining price, deciding on distribution channel, and developing promotional plan, also, accessibility to cutting-edge technology is key; above all, these must be done within the required legal framework of the host and targeted countries (Cateora, 1996). Exporting has been judged recently as a channel of sure growth, sustenance profitability, and survival by many SMEs (Godwin and Ubong, 2015). A number of studies have attested to the direct impact exporting has on SMEs' growth and profitability; they tend to be more intensive in capital use, more efficient and more innovative. As a fact, exporting firms perform better on the average than non-exporting firms (Kneller, 2007; Hessels, 2011). Hence, of importance to exporting SMEs is entrepreneurship, which is vital for surmounting barriers and

for achieving competitiveness and growth in a challenging socio-economic environment like Nigeria.

## METHODOLOGY

This study therefore, adopts a descriptive research design via the structured survey instrument-questionnaire. Data for this study was collected from a sample of exporters, export managers handling non-oil export for the SMEs found operating currently in medium and low-technology manufacture industries, mechanised agriculture and as suppliers of non-oil export merchandise. The questionnaire used for this study consists of two sections. Section A: dealt with the respondents' bio-data using five (5) items, section B focused on entrepreneurship orientation and business performance influence questions. 175 questionnaires were administered randomly to managers in charge of export and exporters, but one hundred and thirty-four (134) copies of the questionnaires were retrieved which shows 77% response used for the analysis. The quantitative data garnered from the survey questionnaire administered were electronically and manually analysed using regression analysis with aid of the Statistical Package for Social Sciences (SPSS, Version 23). The cronbach's Alpha of the measurement scale was discovered to be 0.739.

## ANALYSIS OF DATA AND RESULTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.1	0.415		5.058	0
	EOPROA	-0.003	0.169	-0.003	-0.02	0.984
	EOINN	0.305	0.221	0.236	1.379	0.17
	EORISK	0.086	0.155	0.076	0.556	0.579
R		0.296				
R2		0.088				
Adj. R2		0.067				
F		4.161				
Overall Sig.		0.008				

## INTERPRETATION OF RESULTS AND DISCUSSIONS OF FINDINGS

The Table 1 above revealed the influence of entrepreneurship orientation as a strategic determinant of firm performance. It showed that the injection of EO resulted to change in

contributions to the model and the level of significance. The F-value is the Mean Square Regression (8.766) divided by the Mean Square Residual (2.107), yielding  $F=4.161$ . From the results, the model in this Table is statistically significant ( $\text{Sig}=0.008b$ ) signifying that entrepreneurial orientation influence non-oil exporting SMEs performance. Since R is the correlation coefficient and  $R^2$  is the coefficient of determination. R measures the linear association between the explained and explanatory (dependent and independent) variable, while  $R^2$  measures how the total variability in the dependent variable is explained by the independent variable, then the p-value (Sig.) of the F-change is more than 0.05 hence it was concluded that entrepreneurial orientation influence non-oil exporting SMEs performance. However, the individual contributions of the features of EO are not significant in this context. A good number of the SMEs are proactive and therefore as a consequence of their positive perception of risk are resilience in the face of challenges. However, the low value of EOINN (Innovativeness) can be attributed to the unprocessed nature of the majority of the goods exported which indirectly affects the financial returns of the firms. Therefore, firms should strive more at innovation for adaptability to changes in foreign markets in addition to the risk-taking and pro-active propensities, to be more competitively inclined in other to improve on their performance. This suggested that EO works better when all the features are put to use as a whole than as individual, then the contribution will have greater impact in the performance of the firms which validated the studies of Okpara (2009), Abiodun and Mahmood (2015), Alarape (2013), Gautam, (2016) Olokundun, Ibidunni, Peter, Amaihian, Moses and Iyiola (2017), Ibidunni, Ogunnaike and Abiodun (2017).

## CONCLUSION/RECOMMENDATIONS

Entrepreneurship, according to Kusumawardhani (2013), is a macroeconomic upshots used essentially for business performance. Business performance is a compartment of organizational effectiveness expressed through financial and operational performance and the ultimate target of any entrepreneurial organization is to improve performance to achieve profit (Gautam, 2016). Hence entrepreneurial orientation and performance are key factors for economic growth which should be given due attention by all the stakeholders. From the study, it has been established that entrepreneurial innovativeness should be encouraged and enhanced by improving the domestic and foreign technological networking for competitive innovations in the foreign markets. It was also discovered that EO works better when all the features are put to use as a whole than as individual, for the contributions to have greater impact on the performance of the firms. Therefore, Nigeria Export Promotion Council (NEPC) should promote value added concept on non-oil export with requisite improved technical skills and modern technology; trade and business information should be made readily available for exporters and potential exporters for identification of buyers requirements, market access requirements, prices on which to plan business operations and to negotiate transactions, product related information, technology, equipment and raw material inputs sources. Entrepreneurship orientation and practical training which has been integrated into capacity building should be improved and promoted further to elicit the resilience in pro-activeness, risk-taking propensity and innovativeness needed by the entrepreneurs to survive the turbulent socio-economic environment for improved productivity. Also, Government needs to put adequate infrastructure in place to reform the current downward

slope of the non-oil export. Significantly, at the firm's level, the resource based capability should be enhanced by training and re-training of human capital, engagement in R&D, and networking to increase efficiency and effectiveness.

### ACKNOWLEDGEMENT

Authors of this research work express sincere appreciation to the Management of Covenant University for giving full sponsorship to the publication of the research work in this journal.

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