Investigating the performance of MSMEs using entrepreneurial orientation in selected manufacturing firms in Nigeria

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Abstract
The performance of MSMEs has attracted the attention of both business and entrepreneurship scholars across the globe. This is because MSMEs serve as the major employers of labour in every nation of the world. Thus, to enhance MSMEs' performance, there is a need for entrepreneurs to have certain orientations that would increase their performance. It is based on this contribution that this study investigated the performance of MSMEs in Nigeria through entrepreneurial orientation using a descriptive research design with contingency theory as the underpinning theory. Two hundred and fifty MSMEs that were registered with the Manufacturers Association of Nigeria served as the target population. The investigation employed questionnaire for data collection. The study demonstrated that entrepreneurial orientation has significant effect on MSMEs performance. It was recommended that the managers of MSMEs should embrace entrepreneurial orientation as Medicare for MSMEs performance.

Keywords: Entrepreneurship, Entrepreneur, Entrepreneurial orientation, MSMEs, Performance, Nigeria

Introduction
The emergence of Micro, Small, and Medium Enterprises (MSMEs) has contributed to Nigeria's economic growth (Mohammed et al., 2015). In the Nigerian economy, MSMEs have played a pivotal role in improving the country's GDP and aiding employment creation for citizens. (Anyalor et al., 2023; Mohammed et al., 2015). However, these MSMEs are grappling with poor performance, which is evident in their poor sales growth and limited market share in the national and global marketplace (Olubiyi et al., 2019). This, according to them, had made some of the MSMEs less viable. These prevalent challenges have led to a high mortality rate amongst the MSMEs, especially in developing nations like

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Nigeria (Olubiyi et al., 2019). This seemingly unsatisfactory level of performance of MSMEs in Nigeria is mainly attributed to a lack of entrepreneurial orientation. Consequently, the Nigerian Government has established numerous schemes and programs to curb the debilitating challenges that have contributed to the closure of many MSMEs.

These schemes include YouWin, TraderMoni, N-Power, Anchor borrowing etc. Despite these Government initiatives towards financial needs, it has not significantly impacted MSMEs performance (Arisi-Nwugballa et al., 2016). This is because benefiting firms are not entrepreneurially oriented. Mohammed et al. (2015) posit that financial interventions contribute about 25% to the performance of SMEs, which is considered insignificant. In fact, Jafar and Roland (2018) assert that financial assistance makes organisations indolent towards innovative ideas during environmental turbulence. Rather, access to financial capital should be combined with different indicators of entrepreneurial orientation (EO) to improve expected performance.

Entrepreneurial orientation is a decision-making process with reference to firm's strategy to sustain performance by accessing either an already established market or new one through risk-taking, and autonomy. EO is also regarded as an entrepreneur decision-making style that is geared towards improving the performance and gaining competitive advantage over other enterprises in the same industry with risk-taking and autonomy (Arisi-Nwugballa, et al. 2016). In other words, a firm is entrepreneurial when it can innovate, proactive, take risk and could be autonomous to overcome competitors.

Furthermore, the study of EO and its dimensionalities as it relates to a firm's performance has drawn the attention of scholars with diverse opinions across the globe. There has been a debate about whether EO is a singular construct or a multi-dimensional construct. It has been established in previous studies that EO is associated with enterprise growth in different contexts, while some other studies view EO as a multi-dimensional construct that relates to performance (Ifeanyi et al., 2021; Arisi-Nwugballa et al., 2016; Jafer et al., 2017; Lumpkin & Dess, 1996). However, examining the EO process for improving performance, it is imperative to determine the distinctive input of each sub-dimension of EO.

These will, of course, aid firms in seeking a suitable configuration of these EO dimensions that are peculiar to their structure, culture, and other external factors. Consequently, few studies have explored the relevance of these various dimensions of EO regarding firm performance still found contradicting effects within the same environmental context. Felix and Cai (2018) revealed that risk-taking and innovation have a significant effect on firm performance. Olubiyi, et al., (2019) studied the dimensions of EO on enterprise profitability, and the result revealed that innovativeness has insignificant negative effect, while competitive aggressiveness has negative and significant effect although proactiveness, risk taking have significant influence, but autonomy has positive and insignificant effect on firm performance.

However, Ifeanyi et al. (2021) examined EO with SMEs performance, and their result indicate that a relationship exists between risk taking and growth of SMEs in Nigeria. Arisi-Nwugballa, et al. (2016) focused on the five dimensions of EO in Ebonyi State, Southeast Nigeria. Their study showed that proactiveness, innovativeness, and competitive aggressiveness significantly correlate with performance, while autonomy and risk-taking do not significantly have any correlations with the performance measures. This suggests that autonomy and risk-taking are not relevant to MSMEs in the State. Hence, this study will focus on risk-taking and autonomy. Secondly, the industry of focus is manufacturing firms in Abakaliki metropolis, Ebonyi state, Nigeria. It is on this premise that the research stems to undertake a cursory look at the effect of entrepreneurial orientation on MSMEs performance in selected manufacturing firms in Abakaliki metropolis, Ebonyi State, Nigeria, with the following research hypotheses.

HO1: Risk-taking does not relate to sales growth of MSMEs in Nigeria.
HO2: Autonomy does not relate to sales growth of MSMEs in Nigeria.

Literature Review

Entrepreneurial Orientation

Entrepreneurial orientation (EO) is regarded as a course of action deployed by entrepreneurs to support the venture with entrepreneurial decisions (Olubiyi et al., 2019). Entrepreneurial orientation construct represents an internal mechanism for organizational success (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). It shows the proclivity of a firm to be innovative, to take calculated risks, and act proactively to improve performance by exploiting the new market or existing markets, thereby beating competitors to the punch. As mentioned in the introductory section, this study will focus on risk-taking and autonomy as indicators of entrepreneurial orientation. Thus, the two indicators have been reviewed below.

Risk-taking: Risk-taking as an EO dimension entails business readiness to harness opportunities even during uncertainty. This is the desire of an individual to undertake risky ventures to meet market needs. Lumpkin and Dess (1996) posit that there are three categories of risks that entrepreneurs are confronted with. These risks include business risks involving penetrating new markets or exploring new technological inventions; financial risks involve financial exposure, which includes securing debt or investing huge capital, and finally, personal risks resulting from putting one's reputation and goodwill at stake.

Autonomy: Autonomy could be referred to as a person's or a team's capacity to independently make valuable decisions, followed by actions that can bring change in the form of a new product or novel business concept without limitation from the organization (Lumpkin & Dess, 1996). It involves the ability to act independently as either an individual or a team to initiate novel ideas and execute the project successfully.

Performance of MSMEs

Performance entails the measurement of actual output against a standard (Agbionu et al., 2018). Although there is no consensus among researchers on the best yardstick to measure business performance indicators (Perera et al., 2019) but performance measures may include objective and subjective, financial and non-financial. Consequently, the application of the subjective measures is strongly supported due to MSMEs situation in Nigeria because they seldom have proper books of account; hence, the use of objective performance indicators serves as a challenge (Perera et al., 2019). The manufacturing sector contributes to stimulating the economic advancement of a nation. This sector is dominated by MSMEs activities, which engage in different productive activities like food and beverages production, textile, footwear, rubber & plastic, electronics, etc.

Sales Growth: Sales growth is a performance indicator that measures the change in revenue in each period. Sales growth is the increase in the quantity of goods sold in a given period, usually a year. Sales growth is a valuable yardstick for determining a firm's financial growth and survival. To ensure the continuity of positive sales growth, the company needs to harness the opportunities because of changes in market trends. EO as a growth orientation is measured using indices that show a firm's success at leveraging entrepreneurial opportunities into sustainable growth (Covin et al., 2006).

Empirical Review

Ifeanyi et al. (2021) examined the impact of entrepreneurial orientation on the performance of selected small and medium-sized firms (SMEs) in Southeast Nigeria. The findings indicated a substantial and positive correlation between proactiveness and risk-taking on the success of SMEs in Southeast Nigeria, whereas innovation exerted a marginally significant impact on company performance. Alase et al. (2021) conducted a study on the components of entrepreneurial orientation and the sales volume of selected manufacturing firms in Nigeria. The results indicated that innovativeness, competitive aggressiveness, and risk-taking had significant and beneficial influences on sales volume. Deepal et al. (2019) investigated the correlation between entrepreneurial approach and company success in Sri Lankan SMEs. The results indicated that the five factors of entrepreneurial attitude significantly influence business performance. Olubiyi et al. (2019) examined the impact of entrepreneurial orientation on company profitability in Lagos State, Nigeria. The study found that competitive aggression has a negative yet significant impact on profitability metrics. Felix and Cai (2018) examined the relationship between entrepreneurial innovation, risk-taking, and firm performance, providing empirical evidence from entrepreneurial enterprises in Ghana. The study's results indicated that innovation has a considerable beneficial effect, while risk-taking also exerts a statistically significant influence on business performance. Jafar and Roland (2017) conducted on EO and firm performance. The results indicate a favorable correlation between EO and all performance measures.

Theoretical Underpinning

Considering the above reviewed literature, this study hinged on Contingency theory which states that organizational performance is determined by the fit or congruence between the internal factors such as resources, structure and strategies and the external environmental factors such as cultural, economic, social political and technological factors. In other words, elements pertaining to external influences, industry trends, and enhanced internal performance (Lumpkin & Dess, 1996). The capabilities of a corporation impact the design of entrepreneurial orientation dimensions to attain objectives. The significance of this theory is that MSMEs in Nigeria can achieve optimum performance through EO by designing EO dimensions in line with organizational peculiarities in a manner that aligns with the internal capabilities and external variables**.** This implies that a one-size-fits-all approach to strategy is doomed to fail.

From the reviewed literature, many studies affirmed that firms could improve their performance by increasing their EO, while this study hinged on contingency theory to argue that EO should be alignment with the internal capabilities and external factors for the sustainability of performance. Moreover, although the idea of entrepreneurial orientation has evolved and gained significance over the years, there seems to be a scarcity of studies within the Nigerian setting.

Methods and Procedure

The study adopted a descriptive research design. The hypotheses were tested with the use of regression. The population of the study focused on the manufacturing firms in Abakaliki metropolis, Ebonyi State. The study focused on the two hundred and fifty (250) firms that are registered with the Manufacturers Association of Nigeria (MAN), Ebonyi State chapter. The study employed complete enumeration since the population size is manageable. A questionnaire was employed to gather pertinent data for the investigation. Two hundred fifty (250) questionnaires were issued, of which one hundred eighteen (118) were successfully recovered. Ethical considerations such as anonymity, confidentiality and voluntary participation was employed. Participants biodata was analysed with frequency distribution while linear regression was used to analyse the formulated research hypotheses with SPSS 20.0

Results

Table 1: Forms of ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Proprietorship	104	88.1	88.1	88.1
	Joint Ownership	14	11.9	11.9	100.0
	Total	118	100.0	100.0	

Source: SPSS 20.0 Output

Table 2: Years of existence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	4	3.4	3.4	3.4
	3-5 years	21	17.8	17.8	21.2
	5 years and above	93	78.8	78.8	100.0
	Total	118	100.0	100.0	

Source: SPSS 20.0 Output

Research Question: What effect does risk-taking have on sales growth in selected manufacturing firms in Abakaliki Metropolis, Ebonyi State, Nigeria?

Table 3: Risk-taking

S/n	Items	Strongly Agree (SA)	Agree (A)	Undecided (UD)	Disagree (D)	Strongly Disagree (SD)	Mean	S.Dev	Decision
1	My organization invests in high-risk projects with chances of a very high return	54(43.2)	30(25.4)	32(27.1)	4(3.4)	1(0.8)	4.07	.958	Accept
2	My organization adopts a bold, wide ranging of actions necessary to achieve organizational goals	69(58.5)	10(8.5)	32(27.1)	7(5.9)	0	4.19	1.032	Accept
3	My firm commits a large portion of its resources to grow	61(51.7)	23(19.5)	20(16.9)	8(6.8)	6(5.1)	4.06	1.193	Accept
4	My firm invests in major projects through heavy borrowing	62(52.5)	19(16.1)	16(13.6)	14(11.9)	7(5.9)	3.97	1.297	Not Accepted
5	My organization emphasize exploration and experimentation of new opportunities	13(11.0)	71(60.2)	29(24.6)	2(1.7)	3(2.5)	3.75	0.773	Not Accept

Source: Author's computation

Research Question: What effect does autonomy have on sales growth in selected manufacturing firms in Abakaliki Metropolis, Ebonyi State, Nigeria?

Table 4: Autonomy

S/n	Items	Strongly Agree (SA)	Agree (A)	Undecided (UD)	Disagree (D)	Strongly Disagree (SD)	Mean	S.Dev	Decision
1	My organisation supports the efforts of employees/teams that work autonomously	36(30.5)	48(40.7)	10(8.5)	15(12.7)	9(7.6)	3.74	1.236	Not Accepted
2	Individuals/teams pursuing business opportunities make decisions on their own without constantly referring to their supervisors	21(17.8)	62(52.5)	22(18.6)	10(8.5)	3(2.5)	3.75	9.35	Not Accepted

3	The top managers believe that the best results occur when individuals/teams decide for themselves what business opportunities to pursue	18(15.3)	16(13.6)	51(43.2)	24(20.3)	9(7.6)	3.08	1.121	Not Accepted
4	Employee initiatives and input play a major role in identifying and selecting the entrepreneurial opportunities my firm pursue.	97(82.2)	21(17.8)	0	0	0	4.82	.384	Accepted
5	Employee/teams pursuing business opportunities are expected to obtain approval from their supervisors before deciding	93(78.8)	2(1.7)	14(11.9)	7(5.9)	2(1.7)	4.5	1.027	Accepted

Source: Author's computation

Table 5: Sales growth

S/n	Items	Strongly Agree (SA)	Agree (A)	Undecided (UD)	Disagree (D)	Strongly Disagree (SD)	Mean	S.Dev	Decision
1	The policy of the company has improved the sales and profits	111(94.1)	7(5.9)	0	0	0	4.94	.237	Accepted
2	There are sales within the last three years	71(60.2)	43(36.4)	4(3.4)	0	0	4.57	.562	Not Accepted
3	The company's profit has doubled within the last three years	61(51.7)	47(39.8)	10(8.5)	0	0	4.43	.647	Not Accepted
4	The company has expanded its customer base by acquiring new market	101(85.6)	16(13.6)	1(0.8)	0	0	4.85	.384	Accepted
5	The customers have confidence in the company's product/service	101(85.6)	17(14.4)	0	0	0	4.86	.353	Accepted
6	The company has good customer service that enhances rapport	111(94.1)	7(5.9)	0	0	0	4.94	.237	Accepted

7	The customers prefer my company's product more than other brands in the market	103(87.3)	15(12.7)	0	0	0	4.87	.335	Accepted
8	The company has better strategies retaining old customers	107(90.7)	11(9.3)	0	0	0	4.91	.292	Accepted
9	The company offers the customers better value for their money by improving the quality of product	85(72.0)	33(28.0)	0	0	0	4.72	.451	Not Accepted
10	The company has acquired more assets because of the sales growth	95(80.5)	23(19.5)	0	0	0	4.81	.398	Accepted

Source: Author's computation

The regression results in Table 6 revealed that risk-taking has an insignificant and positive influence on sales growth ($\beta = 0.17$, Std. errors = 0.18; $p > .001$). This indicates that the null hypothesis was accepted. The findings of hypothesis two demonstrate that autonomy exerts a favorable and substantial impact on sales growth ($\beta = 0.48$, Std. errors = 0.13, $p < .001$). Consequently, the null hypothesis was dismissed. The results indicate that risk-taking positively influences sales growth, with a unit increase in risk-taking correlating to an approximate 0.33 unit increase in sales growth, assuming other variables remain constant; however, this result lacks statistical significance at the 5% level. The findings suggest that risk-taking is not statistically significant in the sales growth of manufacturing companies in Abakaliki metropolitan. The findings demonstrate that autonomy is positively related to sales growth in selected manufacturing firms in Abakaliki Metropolis. This study supports the findings of Lumpkin and Dess (1996), which indicate that entrepreneurial orientation predicted organisational success.

Table 6: Regression Result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.259[a]	.067	.051	2.007

a. Predictors: (Constant), autonomy, risk-taking

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33.012	2	16.506	4.097	.019[b]

Residual	459.313	114	4.029
Total	492.325	116	

a. Dependent Variable: Sales
b. Predictors: (Constant), autonomy, risk-taking

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T
	B	Std. Error	Beta	
(Constant)	34.749	4.871		7.133
Risk-taking	.334	.181	.168	1.849
Autonomy	.264	.133	.181	1.985

a. Dependent Variable: Sales growth

Finding

From the results in Table 6, risk-taking has insignificant but positive relationship on sales growth since the coefficient shows that a unit increase in risk taking increases sales growth. From the foregoing, it does appear that there are other factors that improve sales growth other than Risk taking in selected manufacturing firms in Abakaliki Metropolis, Ebonyi State. The result of hypothesis two showed that autonomy significantly and positively affect sales growth in selected manufacturing firms in Abakaliki Metropolis, Ebonyi State.

Conclusion and Recommendation

The study concludes that firms can improve and ensure sustainable performance by designing EO dimensions to align with the internal capabilities, such as resources, structure, and external factors of existing firms. In other words, the managers of these manufacturing firms in Abakaliki metropolis can increase their sales growth through EO by critically evaluating the internal capabilities about the external dynamism and configure the EO dimensions in line with organizational peculiarities**.** This implies that a blanket approach or a one-size-fits-all approach to strategy is doomed to fail. From the above findings, the following recommendations were stated. Management of these focused institutions can increase their sales growth by investing in business undertakings with the possibility of maximizing huge returns and achieve organizational goals. In addition, management of the focused institutions can also increase performance by supporting Employee initiatives and the efforts of employees/teams that work autonomously.

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