
ENTREPRENEURIAL ORIENTATION AND MARKET PERFORMANCE OF MSMEs IN KADUNA STATE, NIGERIA

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Abstract

Entrepreneurial Orientation and Market Performance has attracted increasing attention in recent growth and Development. MSMEs Performance Contributes to employment creation but it is also increasingly recognized to enhance the diversity of entrepreneurship in any economic system. Entrepreneurial Orientation Creates new jobs for MSMEs and others by being different, also provides society with difficult solution Management, Organisation and business problem as well as to the Utilization of entrepreneurial opportunities in this way Creativity and talents of MSMEs should be developed for the self -realization and society benefit. The objective of the study is to examine the extent of relationship existing between Entrepreneurial Proactiveness and Market Performance of MSMEs in Kaduna state. Survey Research design was used for the study, Sampling Technique was krejcie and Morgan (1970). The study revealed that there is positive significant relationship between Entrepreneurial Proactiveness and Market Profitability of MSME. The study concluded that proactiveness is one of most constructs within entrepreneurial orientation that ensures achievement of business level of market profitability in competitive business arena. Therefore, the findings show that significant positive relation between proactiveness and MSME Market profitability is apparent.

Key words: Entrepreneurial, Proactiveness, Performance, Orientation

Introduction

The growing interest in Entrepreneurial research is attributed to firm constant struggle to top the business chart in their respective industry considering the presence of market challenges with the notion that entrepreneurship is used as a strategy to better profitable market performance (Ochanya, 2017).

Over the years, attention of academics and researchers in the field of entrepreneurship have been drawn to the link between entrepreneurial orientation and market profitability of the business. Business owners are considered to have the propensity to be entrepreneurially oriented i.e. to act proactively to achieving high market profitability (Deepbabu & Manalel, 2016). The performance of the business based on this assertion indicates that better market profitability can be achieved only if managers and owners effectively utilized entrepreneurial proactiveness against competitors (Ireke and Bagobiri, 2022).

In Nigeria particularly, Kaduna State, there has been incredible growth of MSMEs as they are considered to play a vital role in economic development and prosperity of the area. The SMEs sector has been widely recognized as an essential driver of economic growth, employment and social integration in both development and developing economies (Neneh and Zyl, 2017). Entrepreneurial orientation is seen as the ability to distribute proactiveness in business and other aspect of innovations with added value that pave way for MSMEs market profit generation ability in a competitive market arena (Utami and Wilopo, 2018). However, one cannot over exaggerate the effect of Entrepreneurial orientation on MSMEs performance in terms of market profitability because of its significant effect on business growth, development, expansion and market sustainability (Abdalla and Mohammed, 2020).

Entrepreneurial proactiveness contributes significantly to the economic survival of MSMEs because it makes MSMEs to achieve competitive advantage and remain strongly profitable in relation to their rival firms in an ever-dynamic business environment (Abdalla and Mohammed, 2022).

However, MSMEs suffer from ill market profitable performance which is not sufficiently enough to achieve expansion and development in Northwest Nigeria and particularly Kaduna State.

These MSMEs are faced with challenges such as low sales and profitable business operation as a result of incapacitation of the management to operate entrepreneurially proactive. So, to work against the challenges, MSMEs operators need to modify their current strategies to adapt to the current market situation to move the business toward achieving high market performance profitably in a long run. Therefore, this work intends to measure the relationship between entrepreneurial proactiveness and market performance of MSMEs in Kaduna State, Nigeria.

Problem Statement

It was observed that MSMEs in Kaduna State are characterized with rapid closures, low market profitable performance and are not capacitated to achieve rapid expansion, slow growth, premature death and rapid failure are evident. These problems are mostly attributed to inability to inculcate entrepreneurial proactive decision and actions that serve as a mechanism to outperform and outsmart the competitors and respond to the flexibility of the environment via viable, instant and commercially oriented smart decision capable of making MSMEs to be marketably productive and profitable. This is in agreement with the assertion

of (Ochanya, 2017), which found out that firms that are proactive stand a better chance to be productive and achieve high market performance profitably.

Objective

The objective of the study is to examine the extent of relationship existing between entrepreneurial proactiveness and market performance of MSMEs in Kaduna State, Nigeria.

Research Question

What is the extent of relationship existing between entrepreneurial proactiveness and market performance of MSMEs in Kaduna State?

Research Hypothesis

There is a significant positive relationship between entrepreneurial proactiveness and market performance of MSMEs in Kaduna State.

Conceptual Review

Entrepreneurial Proactiveness

Entrepreneurial proactiveness is the ability of the firm to predict where product and services do not exist or have become unsuspected valuable to customers and where new procedures of manufacturing are unknown to others become feasible (Areyeun, Adesoga and Olalekan, 2019). The proactive firms focuses on the past, the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its own proactive future (Chalchussa and Bertrand, 2017), again Olubiyi, Amas and Ajayi (2019) see entrepreneurial proactiveness as the ability of the firm to predict where products and services no longer bring added value to customers or do exist. Also, the first mover's advantages identified by Alaka and Okogwe (2022) concur with an assertion of Abdulla and Mohammed (2020) who opine that proactiveness involves recognizing changes and having the willingness to act on those insights ahead of competitors in an attempt to gain higher profits for the MSMEs.

The characteristics of entrepreneurial proactiveness relates to a determined pursuit of identified market opportunities by an organization, aimed at introducing new product or technology in its industry before others, that is being an industry leader rather than follower is an essential future that characterizes a proactive firm (Areyeun, Adesoga and Olalekan, 2019). Also, proactive firms are most likely to act and respond first to threats coming from its business environment as well as making the first move towards seizing market opportunity(ies). From the above, it is concluded that entrepreneurial proactiveness is an active response, a forward looking perspective and a business strategy capable of giving firms that adopts it an edge over its competitors (Aroyeun et al, 2019).

Profitability is the ability of a business to earn a return positively as a result of an investment made within a period of business. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities (Balla, Fatima & Ibrahim, 2018). Besides the possible choices of focus in on MSMEs, large sized family businesses, and the choice of paying attention to management, control, ownership or a combination of those, a scholar must also select performance measures for his research, when comparing family businesses to non-family businesses.

Balla, Fatima and Ibrahim (2017) argue that to ensure survival in the industry, profitability is a key issue for every profit-oriented firm and maximizing it is imperative for every firm to have its own strategy that will fit into the current rapidly changing business environment. A business firm's net profit is the revenue after all the expenses related to the manufacturer, production and selling of products are deducted (Deepa Babu & Manalel, 2016). It goes directly to the owners of a company or to the shareholders, or it is reinvested in the company profit, for any business, is the primary goal, and with a firm that does not initially have investors or financing, profit may be the corporation's only capital and the absence of sufficient capital or the financial resources necessary to sustain and run a company, will lead to an imminent business failure.

Conceptual Framework

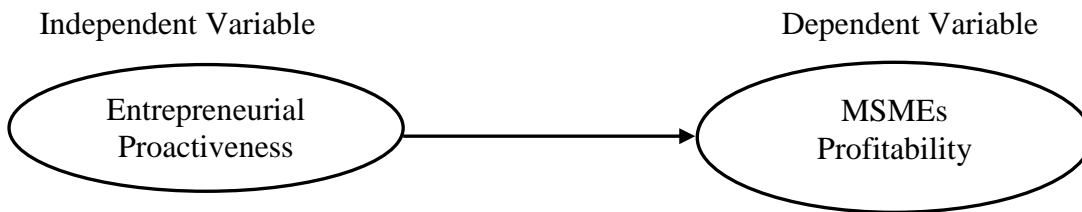


Figure 1: Conceptual Framework showing Relationship between Entrepreneurial Proactiveness and MSMEs Profitability

The entrepreneurial orientation is proxied with entrepreneurial proactiveness while MSMEs market performance is proxied with MSMEs profitability as the dependent variable.

Theoretical Framework

This study is anchored on Schumpeter's innovation theory. This theory is focused on the entrepreneur and the creation of firm or business (Schumpeter, 1934). The theory is grounded on three major assumptions: opportunities are subject, opportunities are not recognized, they are created and entrepreneurs bear uncertainty. Opportunities are created via series of decision to exploit a potential opportunity. They are created by economic actors; they do not exist independently. Their existence holds the potentials for profit generation for businesses. The theory assumes uncertainty, not risk. To believe that opportunity is created by MSMEs entrepreneurs and not exist independent of the actions of managers, firms do not ask customers for guidance on how, what and which product or services to create. Any new business concept, product or services to develop will be beyond the experience or potentials of the markets. However, opportunities do not exist independent of the actions of entrepreneurs but are created by the managers/owners or the entrepreneurs. The theory is relevant to the entrepreneurs' proactiveness because it motivates the managers to work diligently toward decision leading to opportunity discovery and utilization towards profitable business performance.

Empirical Studies

Ali and Nasra (2018) conducted research on entrepreneurial orientation on SMEs performance in Somalia. The study aimed to examine the relationship between entrepreneurial orientation and SMEs performance in Somalia. The main force is the SMEs growth and market profitability that determine the success and continuous operation of the SMEs. Descriptive survey design was employed in which 205 SMEs in Somalia responded to the survey questionnaire. However, descriptive statistical tool, Pearson Product Moment

Correlation analysis was employed as well as regression analysis for hypothesis testing. The result indicated that there is significant and positive relationship between predictors and dependent variables. Concluded that entrepreneurial orientation has greater influence and importance in the process of accomplishing the SMEs continuance for long time survival and competitive advantage.

Irikefe and Bagobiri (2022) investigated the effect of entrepreneurial orientation on the performance of SMEs in Abuja, Nigeria. The objective of the study is too specifically assessing the effect of the dimensions of entrepreneurial orientation viz: autonomy, innovativeness, proactiveness and risk taking on the business performance of small and medium scale enterprises in Abuja. Using the Taro Yamane formula, a sample size of 349 was obtained of the questionnaires randomly issued to the small and medium scale firms, 338 were completed and returned representing 99.684% response rate. The questionnaires contained close-ended questions that were rated on a 5-point Likert Scale. The data were then analyzed using descriptive statistics and multiple linear regression. Arising from the result, the regression model was significant at 0.000 with the calculated value greater than the critical value ($16.910 > 2.399$), hence the null hypothesis was rejected. It was concluded that, overall, entrepreneurial orientation has a significant effect on business performance. However, of the dimensions tested, autonomy is insignificant, while innovativeness, proactiveness and risk taking are significant.

Alaka and Okogua (2022) examined the influence of entrepreneurial orientation and management skills on the performance of small and medium scale enterprises in the state of Lagos, Nigeria. Quantitative survey research design was adopted, and multiple regression method of analysis was employed for the research. The population was 11,663 registered SMEs in Lagos State. Cochran's sample size was used to determine the sample size of 500. From the total of 500 questionnaires distributed, 473 were completed and returned, which corresponded to a response rate of 96.6%. The data collected were analysed using both descriptive and inferential statistics. The results show that entrepreneurial orientation practices have a positive and significant effect on profitability. However, management skills have a positive but non-significant influence on the profitability of the selected SMEs.

Nuel Okoli, Nwosu and Okechukwu (2021) examined the effect of entrepreneurial orientation on the performance of selected MSMEs in Southeast, Nigeria. The problems that led to this study include – inadequate access to finance, poor infrastructure, inconsistency with government policy, inadequate sales, too many taxes and obsolete technologies leading to massive failures. It has not been found that epileptic growth of MSMEs in Southeast Nigeria is not only due to the problems but also from the entrepreneurial orientation. The survey research method was employed in this study and the study relied on both secondary and primary data. The population of this study was drawn from MSMEs in the five states in the Southeast, Nigeria. The study was done using 366 MSMEs. Complete enumeration was adopted. Simple regression analysis was used to analysed the hypotheses. The study revealed that there is a significant positive relationship between proactiveness, innovativeness and risk taking on performance of MSMEs in Southeast, Nigeria. The study concluded that entrepreneurial oriented firms tend to lead the industry with innovations, performing things in a better way to satisfy customers and give the firm a better leverage.

Gap in Knowledge

None of the empirically reviewed examined entrepreneurial proactiveness as it related to profitability of MSMEs in Kaduna State, Nigeria. This is the gap in knowledge that this study seeks to fill.

Research Methodology

Research Design

Survey research design was used for the study. It was used because it ensures the non-manipulation of the sample variables of the study.

Population of Study

Micro small and medium scale business in Kaduna State that are duly registered with appropriate government establishment within Kaduna metropolitan, totaling six hundred and seventy six MSMEs were considered as the population of the study.

Sample Size and Sampling Technique

The Krejcie and Morgan (1970) sampling technique was used for this study. The formula is denoted below.

$$S = \frac{X^2 NP (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}$$

Where S = Sample size

X^2 = Table value of the chi-square for 1 degree of freedom 0.05 confidence level (3.84).

N = Population size (676)

P = Population Proportion (0.5)

d = Degree of Accuracy (0.005)

$$S = \frac{3.84(676)(0.5)(1-0.5)}{0.05^2(676-1) + 3.84(0.5)(1-0.5)}$$

$$S = \frac{(1297.92)(0.5)}{1.6875 + 0.96}$$

$$S = \frac{648.96}{2.6475}$$

$$S = 245.1 = 245$$

Based on the foregoing, 245 copies of the questionnaires were randomly administered to respondents i.e. the MSMEs selected to participate in the survey in Kaduna Metropolitan.

Instrument of Data Collection

Questionnaire was used for this study. A five point Likert Scale Questionnaire was used for the study – Strongly Agreed (SD), Agreed (A), Undecided (U), Strongly Disagreed (SD) and Disagreed (D).

Validity of the Instrument

To ascertain the validity of the research instrument, content and face validity test have been carried out by the researcher.

Reliability of the Instrument

Cronbach Alpha reliability test was used for the study. Suwannoppharat and Kaewa (2015) assertion of a reliability coefficient of 0.696 and above are an acceptable value was adopted for the study.

Table One: Reliability statistics or entrepreneurial proactiveness

Reliability Statistics

Cronbach's Alpha	No of Items
0.754	5

Source: Field Survey, 2023

Therefore, the reliability statistics for entrepreneurial proactiveness $0.754 > 0.696$. This implies that the instrument is reliable and fit for the study.

Table Two: Reliability Statistics for MSMEs Profitability.

Scale: Reliability Statistics for MSMEs market Profitability

Reliability Statistics

Cronbach's Alpha	No of Items
0.722	5

Source: Field Survey, 2023

Therefore, the reliability statistics for MSMEs profitability $0.722 > 0.696$.

Method of Data Analysis

For accurate and reliable data analysis, Pearson product moment correlation coefficient was employed to analyze the data. The level of significance was 5% while a 95% confidence interval reliability was adopted.

Data Presentation, Analysis and Interpretation

Data Presentation and Analysis

Table Three: Table of Returned and Unreturned Questionnaires

Analysis of Returned and Unreturned Questionnaire		
	Frequency	Percentage %
Returned Questionnaire (Valid)	172	70.20
Returned Questionnaire (Invalid)	5	2.05
Unreturned Questionnaire	68	27.75
Total Questionnaire Administered	245	100

Source: Field Survey, 2023

Research Question

What is the extent of relationship existing between entrepreneurial proactiveness and MSMEs profitability in Kaduna State?

Table 4: Range of scores on entrepreneurial proactiveness

Range of Scores	N	%	Remarks
5 – 14	47	27.33	Poor scores on entrepreneurial proactiveness
15 – 25	125	72.67	Good scores on entrepreneurial proactiveness

Source: Field Survey, 2023

From the above table, the study deduced that 125 (72.67%) of the respondents indicating scores ranging from 15 to 25 scored high on entrepreneurial proactiveness, while 47 (27.33%) of the respondents indicating scores ranging from 5 to 14 scored low on entrepreneurial proactiveness.

Table 5: Range of scores on MSMEs profitability

Range of Scores	N	%	Remarks
5 – 14	40	23.26	Poor scores on MSMEs market profitability
15 – 25	132	76.74	Good scores on MSMEs market profitability

Source: Field Survey, 2023

From the above table, the study deduced that 132 (76.74%) of the respondents indicating scores ranging from 15 to 25 scored high on MSMEs market profitability, while 40 (23.26%) who scored between 5 to 14 scored low on MSMEs profitability.

Table 6: Pearson r on relationship existing between entrepreneurial proactiveness and market profitability of MSMEs
 Correlation

		Entrepreneurial Proactiveness	Profitability of MSMEs
Entrepreneurial proactiveness	Pearson correlation	1	0.731**
	Sig. (2 - tailed)		0.000
Profitability of MSMEs	N	172	172
	Pearson correlation	0.731**	1
	Sig. (2 - tailed)	0.000	
	N	172	172

** Correlation is significant at the 0.01 level (2 - tailed)

Source: Field Survey, 2023

From the above table 6, there is a positive significant relationship of 0.73 (73%) existing between entrepreneurial proactiveness and profitability of MSMEs in Kaduna State, Nigeria.

Test of Hypothesis

Research Hypothesis

There is a significant positive relationship between entrepreneurial proactiveness and market profitability of MSMEs in Kaduna State.

Table 7: Significance of Pearson r on entrepreneurial proactiveness and profitability of MSMEs using probability table of r.

N	Cal.r	df	Crit.r	Remark
172	0.73	170	0.19	S

S = Significant

Source: Field Survey, 2023

Table seven above revealed that at 0.05 level of significance and 170 df, the calculated r 0.73 is greater than the critical r 0.19. Based on the foregoing, it shows that the relationship between entrepreneurial proactiveness and profitability of MSMEs is significant and positive. Therefore, the hypothesis stated earlier “there is positive significant relationship between entrepreneurial proactiveness and profitability of MSMEs in Kaduna State” is accepted.

Discussion of Findings

Finding obtained from the test of the hypothesis revealed that there is a positive significant relationship between entrepreneurial proactiveness and market profitability of MSMEs. This is in agreement with the study of Olubiyi et al (2019), which found significant positive relationship between proactiveness and profitability of MSME in Lagos. Also, Anlesinya, Eshun and Bonuedi (2015) found a significant positive relationship between proactiveness, risk taking and profitability of business firm, which is in agreement with the finding of the study. The finding of the study is in consonance with that of Wambugu, Gichitra and Wanjau (2016) who found that entrepreneurial orientation has a positive and statistical significant influence on firm profitability.

Credence is added to Riga (2016) with finding that proactiveness and risk taking both have considerable influence on business performance and profitability. Saunila (2017) confirmed positive significant relationship between entrepreneurial orientation constructs and SMEs level of profitability and it serves as a prerequisite to profit achievement.

Conclusion

The study inferred that entrepreneurial proactiveness is one of the most significant constructs within entrepreneurial orientation that ensures achievement of business level of market profitability in competitive business arena. Therefore, the finding shows that significant positive relationship between proactiveness and MSMEs market profitability is apparent.

Recommendation

Based on the findings of the study, the following was recommended for proper MSMEs business improvement.

That micro, small, medium scale (MSMEs) enterprises are advised to invest heavily in mobilizing their managers/owners toward proactive and risky decisions that are capable of enhancing the competitive status of their business via multiple profitability accomplishments which is the bedrock for business sustainability.

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