# Strategic Entrepreneurial Orientation and the Survival of Small and Medium Enterprises (SMEs) in Middle Belt, Nigeria

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**Abstract.** Existing research on the past success of small and medium-sized enterprises (SMEs) in Nigeria is uninteresting. On the causes of SMEs' failure in Nigeria, there are, nevertheless, varied, and conflicting opinions. Therefore, the purpose of this study was to examine how entrepreneurial orientation affected the survival of SMEs in the Middle Belt region of Nigeria. Innovativeness, assertiveness, and a willingness to take risks are indicators of an entrepreneurial attitude, whereas sales growth indicates survival. The population of this study, which used a survey research design, consists of 18,470 registered SMEs across the six states in the geopolitical zone and the Federal Capital Territory. A sample size of 392 registered SMEs was chosen at random to participate in the study using the Taro Yamane Formula. The instrument for gathering data for the study was a questionnaire. To assess the information acquired for this study, descriptive statistics, correlation coefficient, and PLS-SEM were used. According to the study, at a significance level of 5%, taking risks and being proactive have a favorable and significant impact on the growth of SMEs in North Central, Nigeria, while INN was shown to be unimportant and detrimental to the expansion of SMEs. Thus, the study's recommendation was that SMEs managers, as well as existing and future SMEs operators in Northcentral Nigeria, always take entrepreneurial orientation extremely seriously to continue increasing their SMEs growth.

**Keywords:** Entrepreneurship Orientation, Risk-taking, Innovativeness, Pro-activeness, Growth

## Introduction

Small and medium-sized enterprises (SMEs) are essential for producing revenue, providing employment, and eradicating poverty globally. SME owners are recognized as trailblazers (entrepreneurs) for every risk that is involved, in addition to the anticipated business return (i.e. profit) (Kumar, 2015). Nigeria leverages entrepreneurial talents by harnessing the ability of its populace to earn income, comparable to other developed and developing nations. In order to advance communities, entrepreneurial operations build policies and processes for both the public and private sectors (Dabson & Wilcox, 2012). A SME is one that, according to the Central Bank of Nigeria (CBN), employs no more than 500 people and has invested between 1 million and 150 million Naira in capital, excluding land (Ebitu, Ufot & Olom, 2015). SMEs make up nearly 90% of all enterprises in African, Caribbean, and Pacific (ACP) countries. They also contribute to the development of local technology and provide around 70% of all job possibilities for the populace (Ogundele, 2007). Small firms in Nigeria have been proven to account for 47% of sales, 51% of the private sector's GDP, and roughly 53% of the private sector's workforce (Oyedijo, 2012). Small and medium-sized businesses (SMEs) hold great promise for the future in terms of job creation, local technology advancement, output diversification, fostering domestic entrepreneurship, and merging with large-scale industries (Central Bank of Nigeria quarterly publication, 2011).

It is astonishing to hear that, despite the openness of the business environment, SMEs continue to perform poorly, preventing them from surviving or even growing to become huge

corporations. According to Ireland et al. (2003), SMEs are adept at seeing opportunities but less successful at developing competitive advantages. Despite thorough investigation into numerous issues that were thought to be the root of SMEs' egregiously poor performance and the implementation of various recommendations, no appreciable change has been noticed. Studies have identified a number of barriers and restraints on the growth of SMEs, yet three out of every five new SMEs fail in less than five years, and the surviving businesses are often static (Dalberg, 2011). Nigeria has been unable to fully embrace the benefits of entrepreneurship due to its deteriorating poverty and rising unemployment rates. Nigeria is still stuck in a rut as a result of ignorance, poor capacity building, a lack of entrepreneurship assistance, and a lack of entrepreneurial techniques (Otokiti & Awodun, 2013). Hitt, Ireland, Camp, and Sexton (2001) attempted to define, legitimize, and simplify the area of strategic entrepreneurship by arguing that in order for companies to maintain a competitive edge, they must strategically leverage entrepreneurial wealth generation. Strategic entrepreneurship, according to a broad definition, transcends organizational levels; it applies to both small and large organizations, established companies as well as new ventures (Agarwal, Audretsch & Sarkar, 2010). Strategic entrepreneurship therefore focuses on how aspirational plans for companies can facilitate continuing exploitation of entrepreneurial opportunities to generate competitive advantage (Ireland, Hitt & Sirmon, 2001). Entrepreneurial orientation refers to the strategy-making methods, pursuits, and methods businesses use to identify and launch new company projects (Aziz, et al., 2014; Bengesi 4 & Le Roux, 2014; Foss & Lyngsie, 2011; Mwatsika, 2015; Nhuta & Kapofu, 2015). Due to their poor entrepreneurial orientation, the majority of SMEs struggle to maintain themselves. Because entrepreneurial-oriented organizations respond by seizing previously untapped or recently created opportunities to gain competitive advantage, which has an impact on a business' performance, it has became harder to work harder (Schindehutte, 2014).

The existing literature also demonstrated that, despite the fact that the majority of studies focused on EO and the performance of SMEs, they only considered one aspect of performance—profitability, for instance—and neglected to take other growth drivers, like internal and external factors, into account. This study aims to fill the information gap by deepening our understanding of the influence of the EO component on the success of SMEs in North Central Nigeria. This is done by including or taking into consideration the addition of autonomy and competitive aggressiveness. The study also intends to fill a vacuum in the literature by including additional growth-related dimensions and growth-enhancing factors (internal, external, and government-related factors) in the questionnaire. Starting a business is not difficult for small and medium-sized enterprises (SMEs) in a developing country like Nigeria. However, throughout time, the ability of SMEs to grow and expand has turned into a subject of worry due to their growth being characterized by product differentiation, differing company conceptions, funding, and knowledge base, as well as stagnancy and mediocre performance (Vanhaverbeke, et al., 2012). Only a few studies have focused on specific internal corporate characteristics that affect the relationship between entrepreneurial orientation and business success. These studies focus on internal aspects of companies, including market orientation (Buli, 2017), leadership behavior (Engelen, et al., 2015), knowledge sharing (De Clercq, at al., 2015), absorptive capacity, and cross-functional behavior (Engelen, et al, 2014). According to Moreno and Casillas, research on entrepreneurship implicitly assumes that EO and growth orientation are positively connected (2008). However, there aren't many theoretical or empirical studies that specifically look into this relationship. Although growth and profitability don't usually go hand in hand, the focus of many earlier articles has instead been on the relationship between EO and performance. Again, there is still much to learn about the factors that support entrepreneurship, especially in the less economically developed region of north-central Nigeria. The poor rate of SME growth in North Central Nigeria might be

attributed to a lack of the requisite entrepreneurial orientation. There have been numerous studies on the issues of entrepreneurial orientation and SME growth. Many of these studies' theoretical and empirical assessments have revealed that not much has actually been done to encourage the development of EO and SMEs in North Central Nigeria.

Using selected registered SMEs in the North-Central States of Nigeria, this research sought to investigate the impact of entrepreneurship orientation (proxied by risk-taking propensity, innovativeness, and pro-activeness) on the growth of SMEs. This study addressed the broad topic of what impact an entrepreneurial orientation (measured by risk-taking propensity, inventiveness, and proactiveness) had on the development of SMEs in Nigeria's North-Central States.

## Literature Review

### Entrepreneurial Orientation

According to Lumpkin and Dess (2014), entrepreneurial orientation refers to the steps, practices, and decisions that led to an innovative entry. The ability of the individuals to demonstrate qualities like creativity, passion, innovation, and self-confidence is crucial to a business' success. The survival of their businesses demonstrates how lacking these qualities affects the performance of most entrepreneurs (Putha, 2014). Entrepreneurial orientation refers to the strategy-making methods, pursuits, and methods businesses use to identify and launch new company projects (Aziz, et al., 2014; Bengesi & Le Roux, 2014; Foss & Lyngsie, 2011; Mwatsika, 2015; Nhuta & Kapofu, 2015). "Entrepreneurial orientation" refers to the operational practices and business philosophies of organizations oriented to entrepreneurship (Bengesi & Le Roux, 2014). To assess an organization's entrepreneurial orientation, one looks at five key entrepreneurial antecedents: autonomy, innovation, risk-taking, proactiveness, and competitive aggressiveness (Dess & Lumpkin, 2005). While some firms may naturally display high levels of all or some of the EO elements, organizations must intentionally acquire an entrepreneurial mentality in order to continuously take advantage of entrepreneurial opportunities (Ireland, Kuratko, & Covin, 2003). Innovation is the component of entrepreneurial orientation that has received the most research, according to Foss and Le Roux (2014). This may be supported by the claim made by Djordjevic (2013) that innovation denotes the appropriate products on the market. Customers are the real kings and queens of company, especially in Nigeria where there is tremendous competition among SMEs and workers are wary of speaking up for fear of losing their jobs, which opens up potential for better performance. Research on entrepreneurial orientation paves the way for understanding the motivations that underlie people's entrepreneurial activity in specific situations (Dogan, 2015). The entrepreneurial mindset (EO) is a firm-level strategic perspective that encompasses an organization's strategy-making processes, managerial philosophies, and entrepreneurial business activities (Kozubikova, et al., 2017). Ajani and Oluyemi (2016) claim that risk-taking, innovation, and proactiveness are utilized to evaluate entrepreneurial orientation.

### Risk-Taking

According to Campos and Valenzuela (2013), accepting risks means being willing to deal with uncertainty and future responsibility. This is one of the three essential elements of an entrepreneurial mindset that increases business profitability (Basile, 2012). The uncertainty and riskiness of self-employment was the key distinction between entrepreneurs and hired workers, and the degree to which managers are prepared to make sizable and hazardous resource commitments is this. It was expected that companies that performed well would likewise be more willing to take chances (Musa, et al., 2014).

**Innovativeness**

Innovation is the process of incorporating new concepts, technologies, production techniques, and processes into the ones already in use, as well as totally replacing outdated concepts, techniques, procedures, and methods of providing goods and services with new ones. According to Baker and Sinkula (2009), this is a reflection of the importance of switching from antiquated technology to cutting-edge ICT (Deschryvere, 2014). According to Roslan et al., marketing of any new product, method, or concept, as well as the modification and recombination of current ones, are both examples of being creative (2014). Additionally, in accordance with Kasumawardhami et al. (2013), the ability of a business or entrepreneur to generate a novel product or method, including inventions and the work required to give an idea or concept its final shape, is referred to as being innovative. Therefore, the process of applying creativity to address business issues or create concrete value through a good, service, or experience is defined as innovation in this study.

**Pro-activeness**

Proactiveness, according to Okpara (2009), is a chance-seeking, forward-thinking mentality that entails supplying new goods and services before the competition and in advance of anticipated demand. According to Kozubikova et al. (2017), proactiveness is the ability of a SME to anticipate and respond to future market demands in order to gain an advantage over competitors. Miller (1983) defined an entrepreneurial organization as one that creates proactive ideas first. The proactivity factor demonstrates the traits of entrepreneurial actions in pursuit of new prospects for development in the future, both in terms of products or technology, current and rising markets, and customer demand that is satisfied by innovation (Rahman, et al 2016).

**SMEs Growth**

Sales Increase and Growth Diverse authors have offered various viewpoints on how to establish a firm. The stages of enterprise growth and the events that each enterprise encounters continue to be significant from the views of resource-based perspectives, motivational perspectives, strategic adaptation perspectives, and configuration perspectives (Gupta, Guha & Krishnaswami, 2013). There are two unique meanings for the phrase "sales increase." It is connected to elements like sales growth, exports, and output that influence how many products are sold. The growth that has been observed as a result of better products or services follows. In accordance with the views of other writers, Delma, Davidson, and Gartner (2013) contend that a variety of tactics, such as franchising, licensing, alliances, or joint ventures, can be used to achieve vertical integration through expansion (Killing, 2009; Levie, 2007; Roberts & Berry, 2008). Managers use a range of growth metrics, including sales revenue, profit, and human and physical capital, according to Berkham, Gudgin, and Hanvey (2009). One of the main growth indicators a firm uses to determine its size is sales revenue, which is briefly followed by growth rate. Revenue is a further metric of organizational performance. Barkham et al. (2009) stressed the link between changes in sales and any indicator of a company's growth. By balancing the linked expenses and the revenue collected, profit is determined. It is common practice to determine profitability when costs and revenue are contrasted (Albrecht, 2011). Human and physical capital are additional crucial organizational resources that must be properly and effectively managed to foster growth. According to Ikhwan and Nugroho's (2015) research, the development of new business opportunities requires the use of individual, familial, and organizational resources.

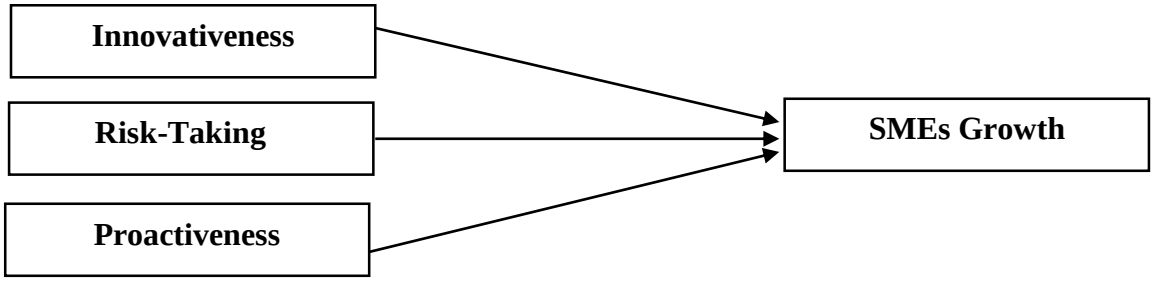


**Figure 1. Conceptual Framework**

**Empirical Review**

Obey and Reginald (2018) examined the connection between the growth nexus and entrepreneurial orientation in South African SMEs. Their study's objective was to assess the connection between EO and the growth of SMEs in South Africa. Convenience sampling was used in a survey to collect data. The study used a structural equation model to analyze the data using the Smart PLS 3 programs. According to the study, there is no correlation between EO and increasing profitability, but there is a strong positive relationship between EO with growth in sales, market share, and employee numbers.

Emelah and Onuoha (2018) investigated the relationship between small and medium scale enterprise growth and entrepreneurial orientation in Bayelsa State, Nigeria. The study examined the effects of innovation, prudent risk-taking, and proactive behavior on the growth of SMEs in Bayelsa State. 150 copies of the questionnaire were distributed to the Yenaga, Kolokuma/Opukuma, and Brass LGAs in Bayelsa State. Their analysis showed a strong correlation between Bayelsa State SME development and entrepreneurial attitude (innovativeness, risk-taking, and proactiveness). A new perspective that would minimize their dependency on governmental power structures and foster their entrepreneurial spirit was also recommended in the report for indigenous people. This proposal was made in an effort to reduce juvenile crime and delinquency among young people. The study's analysis process was kept a secret.

Entrepreneurial orientation (EO) and its effects on business growth among SMEs in South Africa, conducted in 2017, by Neneh & van Zyl. As part of the study, a questionnaire was issued to a sample of 285 SMEs, and stratified sampling and snowball sampling techniques were used to collect primary data. A structural equation model (SEM) based on covariance was utilized to evaluate the relationship between the variables (CB). The Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Adjusted Goodness of Fit (AGFI), and Root Mean Square Residual (RMR) were used to measure the model's fitness, and the findings show that the model's fitness is within acceptable bounds. The results demonstrated that, in terms of employment and sales growth, EO has a substantial positive link with the expansion of SMEs, and that most SMEs have a moderate level of EO. The findings also showed the emergence of proactive innovation, which combined initiative and inventiveness and showed a strong positive relationship with sales growth. The EO dimensions were followed in this development. Risk-taking was the only factor that had a substantial impact on asset growth and employment. The authors did not provide information about the region of South Africa where the study was conducted. This is due to the fact that a sample size of 200 is too little to sufficiently reflect the impact of entrepreneurial orientation (EO) and its consequences on company growth among SMEs across the nation of South Africa. Again, the study did not explain how it handled missing values. When there are missing values, the estimation of CB-SEM may result in a biased result and conclusion.

In 2014, Muthee-Mwangi and Ngugi conducted a study on the effect of entrepreneurial orientation on the growth of micro and small companies in Kerugoya, Kenya. The 1420 MSEs

in Kerugoya Town that are formally registered with the Kirinyaga County Ministry of Trade were the subject of the study. Both secondary and main tools were used to acquire the data. The analysis was done using descriptive statistics. The data were compiled using frequency distribution tables. Additionally, the study was supported by graphs, pie charts, and percentages. The Statistical Package for Social Sciences (SPSS), Version 20 was utilized, which is a relatively recent and advanced version of SPSS. Inferential statistics were used to compare the study's variables to one another. A multivariate regression model was used to examine the effect of entrepreneurial orientation on the growth of SMEs. The study's findings showed that the EO characteristics of innovation, risk-taking, proactivity, and entrepreneurial managerial skill had a significant positive influence on the growth of micro and small firms. Innovativeness (pvalue=0.000) and risk-taking (pvalue=0.000), according to the findings of regression and correlation analysis, both had an effect on the expansion of MSEs. The findings also indicated that both initiative (pvalue=0.000) and entrepreneurial managerial skill (pvalue=0.000) had an effect on the expansion of SMEs. Innovativeness was the aspect of entrepreneurial orientation that had the biggest influence on the growth of small and medium-sized firms in Kerugoya, with a correlation coefficient of 0.915.

Emmanuel, et al. (2016) examined the connections between the aspects of entrepreneurial orientation and the performance of micro, small, and medium-sized enterprises (MSMEs) in Ebonyi State, Nigeria. The study used a survey-based research design. For the study, 400 questionnaires were distributed at random to a sample of MSMEs in the State. Pearson Product Moment Correlation was utilized to analyze the data. The study found that three characteristics of entrepreneurial orientation—innovativeness, proactiveness, and competitive aggressiveness—were related to at least one performance indicator for MSMEs in Ebonyi State. Innovativeness and proactivity have a significant correlation with customer performance, whereas competitive aggression has a substantial association with both product and customer performance. The lack of a significant correlation between risk-taking and autonomy and any of the performance measures suggests that MSMEs in the State are not impacted by these factors.

Wambugu, et al. (2015) looked into the performance and proactivity of small and medium-sized agro-processing firms in Kenya. The study used a survey-based research design. Utilizing stratified random selection, 111 small and medium sized agro-processing businesses in Kenya were selected as the sample. Regression analysis was used to acquire data via a questionnaire. The findings showed that for agro-processing SMEs in Kenya, proactiveness was a highly important predictor of a firm's performance.

Kusumawardhani et al. (2013) studied the performance of Indonesian SMEs in the central Java furniture sector to determine the effect of entrepreneurial attitude. The study used a survey-based research design. Utilizing stratified random selection, a preliminary sample of 150 individuals was selected. Regression analysis was used to acquire data via a questionnaire. The study found that taking risks has a big impact on how well a firm performs. Because the study was only done in Indonesia, its findings might not apply to other countries. Jafar and Roland conducted a study in 2018 to examine the relationships between three EO dimensions—innovativeness, proactivity, and risk-taking—and the general performance of businesses as well as the functional performances of R&D, production, marketing, and sales. The study used a postal survey to collect data from 279 high-tech small-to-medium-sized businesses (SMEs). The investigation used the structural equation modeling (SEM) theory. The results demonstrate that a variety of relationships exist between the features of a firm and the performance of its internal activities (EO). Proactivity and marketing and sales performance, as well as innovativeness and R&D performance, are found to positively correlate. The study also discovered a negative relationship between production performance and risk-taking.

Fauzul et al. (2010) investigated 25 manufacturing SMEs in the Hambantota District of Sri Lanka (HDSL) to assess their entrepreneurial orientation (EO) levels and the effects of EO traits including initiative, inventiveness, and risk-taking on company success. An interview served as the primary data collection tool. Both qualitative and quantitative approaches were applied to the data analysis. According to the findings, 52% of SMEs in HDSL had a moderate level of EO. Proactivity, innovation, taking risks, and overall EO were all significantly correlated with market share gain. Additionally, the findings indicated a positive correlation between EO, proactivity, and business performance.

**Theoretical Framework**

This study was built on the resource-based theory, a thorough theory of strategic management and entrepreneurship. Wernerfelt first proposed the resource-based view (RBV) concept in 1984, and it was later developed by Barney, Corner, and Rigim in 1991, according to Pankaj (2010), Rigim, et al (2012). When creating plans, business owners take into account the resources available to the company, the environment, the proactive and inventive nature of the entrepreneurs, as well as these aspects. The resource-based view (RBV) (Barney, 1991) contends that a particular collection of resources is necessary for a company to create a long-lasting competitive advantage. Entrepreneurs launch businesses using the resources and capabilities that are easily available, according to Wang et al(2012) .'s theory. (2012) Wirattanapornkul (2012). Businesses can obtain a long-lasting competitive advantage by utilizing their strategic capabilities, which include financial, physical, human, technological, reputational, procedures, information, and expertise (Kim, et al, 2011).

According to the RBV, the firm's policy, and consequently its basis for achieving performance, may be built on synchronizing human effort acquisition capabilities, effective engagement, and efficient maintenance of intangible and tangible resources (Akhamiokhor, 2017). Its objective is to determine how to keep a competitive advantage (Barney, 1991). The core tenets of RBV state that any company can develop strategic capabilities and pertinent resources that are precise (Helfat, 1994), robust (Mahoney & Pandian, 1992), intangible, valuable, uncommon, and impossible to duplicate (Barney, 1991), as well as being untradeable and static (Eisenhardt, 1997). It was concluded that RBV was a good theory to use in this study since it emphasizes how important a firm's resources and capabilities are to its performance in the case of SMEs in the manufacturing sector.

**Theory of Dynamic Capabilities (DCT)**

Resource-based reading was a step forward from Dynamic Capability. In 1994, Teece and Pisano launched it for the first time. The ability of a corporation to integrate, grow, and restructure internal and external competencies to meet rapidly changing dynamic situations is referred to as DCT (Teece, Pisano & Shuen, 1997). According to Teece and Pisano, businesses have traditionally used resource-based strategies to amass significant technological assets, usually reserved by a defensive position against material items to achieve greatness (1994). Dynamic capabilities that mirror a partner organization's capacity to develop creative and innovative forms of competitive advantage while taking channel interdependence and market positioning into account. The term "DCT" may be appropriate to characterize the firm's ability to take advantage of the internal and external dynamic environment in order to outperform the competition, achieve the objectives of the structure, and continue to be in business. Ahenkora and Ajei (2012) assert that the organization must improve its capacity for resource exploitation, capability exploitation, and engagement in enablement in addition to structural capabilities. Performance can continually stand out for effective managers that adopt DCT. Dynamic capacities, the last source of competitive advantage, are the focus of strategy analysis (Hou & Chien, 2010). The DCT fills the vacuum left by the RBV theory, which emphasizes using solely

internal resources to attain potency and efficacy (Landroguez, Fidel Castro Ruz & Cepida, 2011; Priem & pantryman, 2001). This highlights how crucial it is for some firms to progressively achieve numerous goals while still establishing a competitive edge in quickly evolving markets (Ferdinand, Graca & Easterby-Smith, 2004). By adding value, they are demonstrating the need to rearrange and personalize intangible resources like knowledge and skills to match the evolving corporate environment. Market orientation, information management, and client relationship management are the three essential structural talents needed to create excellent client value (Landroguez, Fidel Castro Ruz & Cepeda, 2011). According to Teece (2011), dynamic capacities are made up of three kinds of behaviors: sensing, seizing, and remodeling. Developing marketing plans to exceed the competition is part of sensing. Sensing is the process of spotting technological prospects, evaluating markets, learning about what customers have, and evaluating alternative elements of the business environment. As stated clearly in Makinde (2015) and cited in Kabuoh (2017), the goal of seizing is to take advantage of opportunities to provide value and outperform rivals. It also requires obtaining resources, both material and human, in order to accomplish defined goals successfully and dynamically. Transformation is the process of reorganizing activities as a renewal to meet the present environment. Transformation involves rearranging the manageable promotional environment and assessing every market sector to promote market efficiency as indicated by the flexible capabilities theory in order to address the new and dynamic company difficulties.

**Theory of Strategic Innovation and Strategy**

According to Porter (1996), there are many different definitions of strategy. The definitions show the variety of ways that strategy may be described while stating that the essential idea that unifies them all is that of a deliberate, intentional set of principles that governs present and future actions. According to him, a strategy is a pattern formed by a set of decisions that over time expose or show some consistency. Therefore, the logical parts of consistent development, implementation, assessment, and seven adjustments should be included in any strategy framework. Strategy, according to Thompson and Strickland (2011), is the direction and framework for action an organization wishes to take. It involves following through on a plan throughout time and taking the appropriate actions to achieve the goals and objectives for which the plan was developed. The strategy seeks to maximize an organization's strengths and minimize its flaws in order to achieve organizational goals and objectives. To successfully accomplish this, a business must conduct a thorough analysis of the challenges and opportunities present in both its internal and external settings. This can be accomplished using the SWOT analysis method (strength, weakness, opportunity, and threat). An organization must establish strategies or plans designed to handle external demands if it wants to avoid managing this issue in the short term and reactively. Similar to external factors, internal ones can also be sources of strength or weakness for an organization. These include the quality of its human resources, the level and competency of its management, as well as its structure and culture. A strength of human resources can be their capacity to attract, train, and retain top-tier employees for a company. A key element of an organization's overall strategy must be the creation of human resources management plans. Ansoff (2010) asserts that firms with strong leadership regard their employees as their most important asset. As a result, the human resources division of a corporation is essential to the achievement of its objectives. Ansoff's (2010) theory of strategic behavior seeks to bridge the gap in management literature between concepts such as abstracts, academic theories, and the growing body of prescriptive management strategies for a firm's relationship with its environment. The fundamental idea derives from a study by Chandler (2011), who offers proof of a dynamic sequential relationship between the external environment, a firm's strategic action in that environment, and the changes

that result in the internal structure of the organization. By claiming that both governmental organizations and firms in the private sector are vulnerable to different sequences of changes in environment-strategy structure, Ansoff (1994) expands the application of the theory.

**Methodology**

Data for this study were gathered using a distribution questionnaire and a survey research methodology. The type of questionnaire used in this study was a five-point Likert scale with responses ranging from "strongly agree" to "strongly disagree" (5 = "Strongly Agree," 4 = "Agree," 3 = "Undecided," 2 = "Disagree," and 1 = "Strongly Disagree"). This was done to gauge how strongly respondents agreed with the study's findings regarding entrepreneurial orientation (EO) and the expansion of SMEs. Innovation, proactivity, and risk-taking were utilized as metrics for the (EO) dimensions (EO). These characteristics were taken from Kuratko et al., Kolakovic et al., and Karacaoglu et al., all published in 2013.

18470 registered SMEs in the six North-Central states and the Federal Capital Territory make up the population for this study, according to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN 2017). The sample size was calculated using the Yamane 1976 formula, which resulted in a sample size of 392. Three hundred and twenty-two surveys were distributed using a simple random sample procedure. There were only 360 responses, which translates to a 92% response rate. The data for this inquiry underwent tests for data cleansing, and they were approved for the final analysis.

**Method of Data Analysis**

The data were examined using PLS software 3.3.3's structural equation modeling technique, and the outcomes were provided as needed. A general linear model (GLM) extension known as the SEM enables researchers to simultaneously test a large number of regression equations. The two SEM methods are variance-based structural equation modeling (VB-SEM) and covariance-based structural equation modeling (CB-SEM). The VB-SEM, also known as the Partial Least Square Structural Equation Modeling, requires a small sample size and few to no fitness tests. There are four key factors to take into account while using PLS-SEM:

(1) The data: PLS-SEM performs effectively with small sample numbers;

(2) The model's features: Almost no assumptions are made about the underlying data (in terms of data distribution);

(3) The PLS-SEM algorithm handles reflective and formative measurement models with ease;

(4) Issues with model evaluation: The single-item construct and PLS-SEM are two tools that don't have any identification problems. Thus, it can be applied in a range of study areas. Both the structural model and the measurement model were thoroughly examined twice.

**Measurement Model**

The activity model is used to determine whether or not indicators such as Composite Responsiveness (CR), Convergent Validity (CV), Discriminant Validity (DV), and Average Variance Extracted (AVE) as represented by Hair et al. (2011), Hair, Sarstedt, et al. (2012), and Henseler, Ringle, and Sinkovics (2009) met the required threshold.

**Table 1: Convergent Validity**

| | Indicators | Factor Loading | CR | AVE |
|---|---|---|---|---|
| SMEs Growth | GRW3 | 0.744 | 0.894 | 0.628 |
| | GRW4 | 0.797 | | |
| | GRW5 | 0.723 | | |
| | GRW6 | 0.850 | | |
| | GRW7 | 0.839 | | |
| Innovation | INN7 | 0.877 | 0.847 | 0.735 |
| | INN8 | 0.837 | | |
| Pro-activeness | PRO4 | 0.711 | 0.852 | 0.592 |
| | PRO5 | 0.803 | | |
| | PRO6 | 0.821 | | |
| | PRO7 | 0.737 | | |
| Risk-Taking | RST1 | 0.723 | 0.878 | 0.592 |
| | RST2 | 0.707 | | |
| | RST5 | 0.808 | | |
| | RST6 | 0.792 | | |
| | RST7 | 0.809 | | |

The results in Table 1 show that the investigated constructs have convergent validity. The results indicated a high level of convergent validity for the latent component included in the model. When the AVE value is at least 0.5, a latent variable may frequently explain at least 50% of the variation of its indicators, showing excellent convergent validity.

**Table 2: Heterotrait-Monotrait Ratio (HTMT) Discriminant Validity**

| | GRW | INN | PRO | RST |
|---|---|---|---|---|
| GRW | | | | |
| INN | 0.172 | | | |
| PRO | 0.606 | 0.282 | | |
| RST | 0.764 | 0.093 | 0.646 | |

Table 2 demonstrates the discriminant validity result. The HTMT ratio is computed by dividing the mean of the monotrait-heteromethod correlations by the geometric mean of the heterotrait-heteromethod correlations, which are correlations of indicators across constructs assessing different phenomena (i.e., the correlations of indicators within the same construct). According to Henseler, Ringle, and Sarstedt, a well-fitting model should demonstrate that the heterotrait correlations are smaller than the monotrait correlations, i.e. the HTMT ratio should be less than 1.0. (2015: 121). Henseler et al. (2015: 121) state that discriminant validity has been established if the HTMT value is less than 0.90. Although Clark & Watson (1995) and Kline (2011) utilize the more stringent.85 threshold, Gold et al. (2001) and Teo et al. (2008) both employ the.90 threshold. As evidenced by Table 2's results, discriminant validity between the constructs has been established because all values fit within the permissible range.

**Evaluation of the Structural Model**

After the measurement model evaluation has been completed and acceptable fitness has been verified, structural model fitness is evaluated. The structural or internal model consists of the factors and arrows connecting one element to another. Utilizing standardised regression coefficients, the loadings of the straight paths connecting the components are calculated. It is

essential to evaluate the model's fit to ensure that the PLS's final anticipated outcome is accurate. The collinearity of the structural model may be examined, the significance and application of the model's relationships can be assessed, and the R2 values, f2 effect size, and standardized root mean square residual (SRMR) can be used to estimate the model's fitness (Tenenhaus, et al., 2005). Hock & Ringle (2006: 15) characterized results exceeding the cutoffs 0.67, 0.33, and 0.19 as "significant," "moderate," and "weak," respectively. This R-square is considered to have a modest strength or impact.

To evaluate multicollinearity in the structural model, tolerance or variance inflation factor (VIF) criteria may be used, analyzed, and shown. The VIF benchmark should be less than 4.

The R-square change impact is also known as the f-square effect size measure. The formula for the f-square coefficient is (R2original - R2omitted)/100 (1-R2original). This equation's denominator is "Unexplained." The f-square equation expresses how much of the unexplained variation is explained by the R2 change (Hair et al., 2014). In accordance with Cohen (1988), .02 denotes a "little" f2 effect size, .15 a "mid" effect, and .35 a "large" effect size.

SRMR measures the approximate fit of the model. It computes the difference between the observed correlation matrix and the one predicted by the model. The SRMR describes the typical magnitude of these variations. The model is increasingly accurate when the SRMR drops. If the SRMR is less than 0.080, the model has a reasonable fit; otherwise, it does not (Hu & Bentler, 1998).

**Table 3: Structural Fitness Indices**

| | Indicators | VIF | $R^2$ | $f^2$ | SRMR |
|---|---|---|---|---|---|
| SMEs Growth | GRW3 | 1.844 | 0.450 | | 0.072 |
| | GRW4 | 2.089 | | | |
| | GRW5 | 1.553 | | | |
| | GRW6 | 2.849 | | | |
| | GRW7 | 2.861 | | | |
| Innovation | INN7 | 1.286 | | 0.006 | |
| | INN8 | 1.286 | | | |
| Pro-activeness | PRO4 | 1.358 | | 0.054 | |
| | PRO5 | 1.542 | | | |
| | PRO6 | 1.755 | | | |
| | PRO7 | 1.472 | | | |
| Risk-Taking | RST1 | 1.779 | | 0.373 | |
| | RST2 | 1.769 | | | |
| | RST5 | 1.989 | | | |
| | RST6 | 2.172 | | | |
| | RST7 | 1.998 | | | |

Table 5 also contains the VIF diagnostic and anticipated PLS weights in addition to the indicators for each questionnaire item. A typical rule of thumb indicates that problematic multicollinearity is evident when the variance inflation factor (VIF) coefficient is more than 4.0 (some use the more lenient cut-off of 5.0). No initial indicator variable was deleted due to a negative weight, and no original indicator had a VIF larger than four.

According to the overall effect size assessment for the structural model used in regression, the model explains 45.0% of the variance in the variable SMEs Growth. R-square does not account for exogenous latent components. Here, the R-square is considered to have a

moderate strength or impact. In accordance with Cohen (1988), .02 denotes a "little" f2 effect size, .15 a "mid" effect, and .35 a "large" effect size. The model has a large impact size for risk-taking but a small effect size for creativity and initiative. As the SRMR result is smaller than .08, or 0.072, the model fits well.

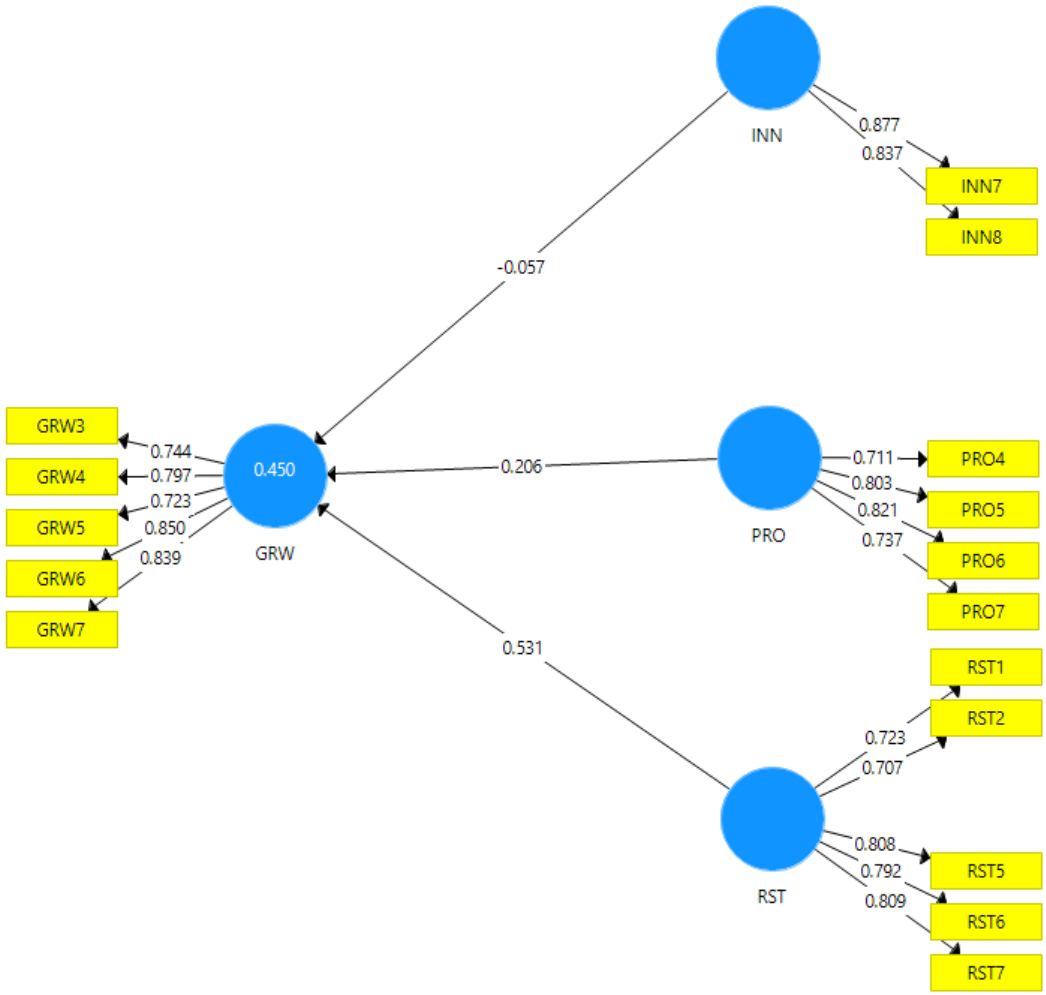


**Figure 1: PLS-SEM Structural Model with Bootstrapping Result**

**Table 4: PLS-SEM Result**

| | Coeff. β | Std err | t-test | VIF | P-value | Decision |
|---|---|---|---|---|---|---|
| **INN -> GRW** | -0.057 | 0.036 | 1.563 | | 0.119 | Not Significant |
| **PRO -> GRW** | 0.206 | 0.061 | 3.369 | | 0.001 | Significant |
| **RST -> GRW** | 0.531 | 0.057 | 9.294 | | 0.000 | Significant |

**Decision Rule**

If the p-value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. In the absence of evidence to the contrary, accept the null hypothesis and reject the alternative hypothesis.

**Testing of Hypotheses**

Table 4 evaluates the results of path analysis in accordance with hypothesized linkages. Findings indicate:

(H1) The direct association between innovation and SME growth yielded a t-value of 1.563 with a p-value of 0.057. Although the expected negative association is confirmed, it is statistically insignificant. This indicates that innovation hinders the expansion of SMEs. In other words, for each standard deviation rise in innovation, SME growth drops by 0.057 standard deviations.

(H2) The hypothesis linking proactiveness and SME growth produced a =0.206, t-value of 3,369, which is highly significant, indicating that the proactivity of SME owners in their businesses is positively correlated with SME growth.

(H3) The relationship between Risk Taking and SMEs has a =0.531 and a t-value of 9.294; hence, it is strongly supported. It suggests that an increase in risk-taking promotes SME growth. That is, for every standard deviation increase in risk-taking, the growth of small and medium-sized enterprises increases by 0.531%.

**Discussion of Findings**

In this study, hypothesis one evaluated the relationship between the expansion of small and medium-sized enterprises (SMEs) in North-Central Nigeria and innovation. In North-Central Nigeria, innovation is not a factor in the expansion of small and medium-sized enterprises (SMEs). The findings contrast those of Emmanuel, Mathias, and Chinedu (2016), who evaluated the impact of entrepreneurially oriented traits to the performance of micro, small, and medium-sized enterprises (MSMEs) in Ebonyi State. The study found a significant correlation between innovativeness and customer performance.

According to the results of the projected relationships, there is a considerable relationship between proactiveness and the growth of SME's. This research contradicts the findings of Jafar and Roland (2018), who investigated the relationship between three EO characteristics—innovation, proactiveness, and risk-taking—three types of functional performance of firms—R&D performance, production performance, marketing performance, and sales performance—and overall firm performance. The findings revealed a favorable relationship between proactiveness and marketing and sales performance, and that various dimensions of (EO) are related to the performance of company activities.

Again, a positive and statistically significant relationship between taking risks and the growth of SMEs was identified. This conclusion is supported by the findings of Isaac, Stella, and Robert's (2018) examination into the effect of entrepreneurial attitude on the growth of small and medium manufacturing enterprises in Nairobi County, Kenya. The study employed a cross-sectional design and descriptive research approach. Stratified random sampling was used to collect primary data on 265 manufacturing sector SMEs from a population of 853 SMEs registered with the Kenya Association of Manufacturers (KAM) in Nairobi County, Kenya. In contrast to risk-taking and proactivity, the research revealed that innovativeness, autonomy, and competitive aggression were statistically significant in predicting the growth of small and medium-sized manufacturing enterprises in Nairobi County, Kenya. The findings of this study provide validity to the theory that entrepreneurial traits such as inventiveness, autonomy, and competitive aggression are vital for supporting the growth of small and medium-sized enterprises (SMEs).

**Conclusion and Recommendations**

In this study, the effect of entrepreneurial orientation (RST, INN, and PRO) on the growth of small and medium-sized enterprises (SMEs) in North Central Nigeria is investigated. The study demonstrates, at a significance level of 5%, that risk-taking (RST) and proactiveness

(PRO) have a positive and statistically significant effect on the growth (GRW) of SMEs. Innovation (INN) was deemed undesirable and inconsequential. Therefore, it is believed that small and medium-sized enterprises (SMEs) with an entrepreneurial mindset expand more frequently than those that do not take chances and act proactively. Again, based on the data, it was established that the majority of small and medium-sized enterprises (SMEs) in the North Central region do not engage in innovative activities, which is why the conclusion is bad. This report recommends SME managers, present and aspiring SMEs operators in Northcentral Nigeria to constantly take entrepreneurial orientation very seriously in order to continue fostering the growth of their businesses.

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