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# Effect of Entrepreneurial Orientation on the Performance of Small and Medium Scale Enterprises

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**ABSTRACT**

This study examined the effect of entrepreneurial orientation on the performance of Small and Medium Scale Enterprises. Specifically, the study examined the extent to which innovation influences productivity of SMEs, investigate the extent to which proactiveness increase the level of profit of SMEs and determine the degree to which risk taking affects the sales volume of SMEs in Gwagwalada, Abuja, Nigeria. The study adopts descriptive research design with the population of 156 from 6 bakery companies in Gwagwalada Area Council, Abuja. The study used Yamane to determine the sample size of 112 respondents and primary source of data was implemented through the use of questionnaire to gather information from respondents as well as chi-square method to test the hypotheses of the study. More so, out of 112 copies of questionnaire distributed to the respondents, 96 copies of the questionnaire were completely returned and used for the analysis of the study. The findings of the study revealed that businesses with entrepreneurial orientation have an undue advantage of proactiveness which gives them the ability to present new offers to the market ahead of competitors as well as SMEs foster flexibility and innovation but limits competitiveness in other strategic orientations. The study concluded that there is a significant relationship between innovation and the productivity of SMEs, there is a significant relationship between proactiveness and the level of profit of SMEs and also that there is a significant relationship between risk taking and the sales volume of SMEs in Gwagwalada, Abuja, Nigeria. The study recommended that there is need to add values to their firms, SMEs operators in Abuja and need to be innovative in their entrepreneurial activities with emphasis on process and radical innovations so as to boost their level of productivity.

**Keywords:** Entrepreneurship, Orientation, Innovativeness, Performance, Proactiveness

## 1. Introduction

Small and Medium Enterprises (SMEs) play a pivotal role in the economic growth and development of emerging, developed and developing economies of the world. The development of the SMEs sector is one approach that could help the government to attain the objective of promoting entrepreneurship as a vehicle for driving rapid industrialization, solving the problem of unemployment and overall economic growth. The contribution of the SMEs sector to the Nigerian economy shows that it is a strategic engine for economic growth and development. The Micro, Small and Medium Enterprises (MSMEs) provide employment for about 84.02% of the total labour force, represent 96% of the businesses in Nigeria and contribute 48.47% to the nation's Gross Domestic Product (GDP).Small and Medium Entreprise Development Agency of Nigeria (SMEDAN, 2013).

Small and medium scale enterprises (SMEs) represent an important part of the economies of both developed and developing countries. They are recognized as a pivot on which economic growth, job creation, poverty reduction and industrial development can be built (Ogechukwu, 2018). SMEs development is essential in a country's growth strategy because of their ability to respond to the systematic shock rapidly and their potentials to generate jobs and income at the time when the large firm sector is undergoing a rapid decline (Kumarpeli & Semasinghe, 2015). Nigeria recognizes the importance of SMEs as a catalyst for economic development and poverty alleviation. Although it is difficult to accurately measure the impact of SMEs on the Nigerian economy due to dearth of records, it has been estimated that SMEs account for 87% of all businesses in the country (National SME collaborative survey, 2013).

The catalytic role of SMEs in wealth creation, poverty alleviation, employment generation and fostering economic growth have been acknowledged in the literature (Pratono & Mahmood, 2015; Abdul-Talib & Bakar, 2017). SMEs can be positioned to play a strategic role in the economic transformation and development process of the country in line with the change mantra, Green Alternative and economic diversification objective of the Federal Government of Nigeria. The major obstacles threatening the performance of SMEs in Nigeria are obsolete technology, multiple taxations, access to the market, poor support for business development services, inconsistency in government policies, poor infrastructure and access to finance (SMEDAN, 2013). Aruwa (2016), opined that the business environment in Nigeria is bedeviled by market failures and this has led to the under-provision of financing for the SMEs sector which is crucial to employment and economic diversification and this underlines the necessity for provision of financial assistance

to SMEs through reputable local banks. There is a consensus among some scholars that entrepreneurial orientation leads to firms' success and profitability (Smarakoon and Jasek, 2017; Islam, Khan, Obaidullah & Alam, 2016; Hui, Wen & Tien, 2019). Entrepreneurial orientation is the decision-making practices and processes employed to act in an entrepreneurial way at the organizational level (Miller, 2015).

Entrepreneurial orientation as a concept in the domain of entrepreneurship is viewed as a vehicle for driving SMEs success, profitability, and growth. Miller (2003) posited that Entrepreneurial orientation has three dimensions namely; innovativeness, risk-taking, and proactiveness. Covin and Dennis (2019) and Lumpkin and Dess (2016) have supported the much earlier writing of (Miller, 2015) who had dealt at length with the three-dimensional entrepreneurial construct. The upgrading of the dimensions of entrepreneurial orientation are autonomy, competitive aggressiveness, risk-taking, pro-activeness, innovativeness and improvement on the original ideas envisaged by (Miller, 2015) is credited to (Covin & Dennis, 2019).

In addition, the National Enterprise Development Programme (NEDEP) was implemented, others were the creation of the MSME National and State Councils, Youth Enterprise with Innovation in Nigeria (You WiN), the revised National MSMEs Policy and other funding access of the Central Bank of Nigeria and other development banks (SMEDAN, 2013). It is in line with the aforementioned that this study investigates the effect of entrepreneurial orientation on the performance of Small and Medium Scale Enterprises in Gwagwalada, FCT-Abuja. Small businesses in Gwagwalada Area Council of Abuja are faced with challenges such as the initial capital to start business and lack of access to credit facilities (bank loan) from financial institution which hinders the growth of small businesses. Poor business management practice also and competitive marketing skills or elaborate business distribution channels to sell their products and services pose as a challenge to the successful operation of SMEs in Gwagwalada Abuja. While several factors may affect SMEs performance, the role of entrepreneurial orientation has not been fully exploited. That is, how innovation, proactivesness and risk taking influence the performance (productivity, profit margin and sales volume) of small scales business in Gwagwalada, Abuja. It is in line with the aforementioned that this study investigates the effect of entrepreneurial orientation on the performance of Small and Medium Scale Enterprises in Gwagwalada, FCT-Abuja.

i. examine the extent to which innovation influences the productivity of SMEs in Gwagwalada, Abuja.

ii. evaluate the extent to which proactiveness increase the level of profit of SMEs in Gwagwalada, Abuja.

iii. determine the degree to which risk taking affects the sales volume of SMEs in Gwagwalada, Abuja.

## 2. LITERATURE REVIEW

**Concept of Entrepreneurship Orientation**

Hitt & Sexton (2017) suggested that entrepreneurship deals with identifying and exploiting opportunities for creating value for the firms. Entrepreneurial orientation is a firm's readiness towards accepting entrepreneurial practices, policies, and decision-making (Matsuno, Zhu, & Rice, 2014). Entreprenuerial orientation is a strategy-making process based on entrepreneurial actions and decisions (Lumpkin & Dess, 2016). It is the integration of entrepreneurship and strategic thinking. Entrepreneurial orientation is considered as a firm critical strategic posture that contribute to firm's performance (Jambulingam, Kathuria, & Doucette, 2015) and that strategic attitude helps businesses to get an advantage from the opportunities. Entrepreneurial Orientation has two dominant principle approaches, the composite dimension approach and multidimensional approach. The first method (composite dimension) is one-dimensional construct and mostly based on the work of Covin & Slevin (2017).

This approach highlights the mutual effect of elements of Entrepreneurial Orientation. It includes three dimensions which are innovativeness, risk-taking, and proactiveness (Covin & Dennis, 2017). The second approach (multidimensional) is based on a study of G Tom Lumpkin & Dess (2016) who suggested that Entrepreneurial Orientation is an arrangement of independent dimensions and each dimension has its particular impact on firm's performance. In this approach, Entrepreneurial Orientation in a corporation is represented by innovativeness, risk-taking, proactiveness, autonomy and competitive aggressiveness (Lumpkin & Dess, 2016; Sok et al., 2017). Without a doubt, both of these approaches have contributed significantly to the literature of entrepreneurship (Covin & Lumpkin, 2017). Researchers like Lumpkin & Dess (2001), Rauch, Wiklund, Lumpkin, & Frese (2019), Wiklund, Patzelt & Shepherd (2019) and Naldi, Nordqvist, Sjöberg, & Wiklund (2017) analyzed entrepreneurial orientation by using multi-dimensional approach. It encourages us to use same multi-dimensional approach for developing our conceptual framework. The dimensions of this multi-dimensional approach are innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness. Each of these dimensions is elaborated in detail.

**Innovativeness**

Innovativeness refers to a firm's ability to generate new ideas and performing experiments leading to the creation of new processes, products, and services. (Lumpkin & Dess, 2016). To be innovative, newly established firms need more knowledge and intellect. Moreover, for new firms, innovation may create ambiguity and uncertainty. Hughes and Morgan (2017) suggested that if the new innovative product is technological, then more time may be required to market the product. Moreover, innovative products may be technologically sophisticated, and these products may have unique design and features. It would raise imitation barriers and may help firms in achieving competitive advantage (Hisrich, Peter, Shepherd & Robert, 2018). Innovation also helps organizations in fostering their market share not only in local markets but also assist them in entering international markets and sustain there. Over time, innovation capability may help businesses in earning a sustainable competitive advantage.

Dejardin (2016) suggested that industry should regard innovation as an essential capability and focus their energies to make it their core-competency. Innovation is a vital element for the firms to enter and stay in the markets. Kumarpeli & Semasinghe (2015) suggested that businesses should continuously improve their innovation speed by investing on it and complete their product development process effectively and efficiently.

**Proactiveness**

Proactivity is the tendency of a firm to introduce new products and services. It is an extent to which a firm and its management take the initiative and earn the first-mover advantage in a market (Covin, Green, & Dennis, 2019). In a competitive market, proactivity not only enables firm in capturing opportunities better than other businesses but also become the basis for developing and sustaining competitive advantage. Proactivity is as essential as innovation. The underlying reason is that over different stages of industry life cycles, firms need to innovate and launch new products and services that match to the requirements of the markets.

Proactivity is the ability of an organization and its management in deciding whether to launch a new product or not. Contradictory evidence came from the work Bolino, Valcea, and Harvey (2015) who suggested that proactivity may lead to stress among employees. The underlying reason for this is that proactive firms become demanding and may ask employees to innovate. It may cause harmful stress among employees, and they may get demotivated. This demotivation may lead to lower level of productivity that may ultimately reduce the level of organizational performance. For this research, we still assert that proactivity has a positive influence on the profit margin of SMEs.

**Risk Taking**

Risk taking is the willingness of a person to invest in such projects which have uncertain outcomes (G Tom Lumpkin & Dess, 2006). A risk-taking manager is eager to spend money and allocation of other resources on such projects that have uncertain outcomes. (Miller & Friesen, 1982). Risk-taking is a dimension of Entrepreneurial orientation and asserts that management may take a risk by making an investment in new projects, taking loans, expanding the scale of business, entering new markets, launching new products, reinventing existing processes, hiring new employees, etc. These things may bring a unique perspective in the organization (Swink, 2003). According to Suarez (1994), closure of an organization may also be regarded as risk-taking. The underlying reason is that closing operations of an organization contemplate that in the time to come, the organization may suffer losses and these losses can be avoided by closing operations immediately. Kreiser, Marino, & Weaver (2002) emphasized that SMEs should take-risk as by doing this, they may enter into a niche and over time may specialize in that. It will become the basis of competitive advantage for the SMEs and would have a positive impact on the performance of the firm.

**Concept of Small and Medium Scale Enterprises (SMEs)**

In Nigeria, the Central Bank of Nigeria(CBN) for the purpose of 200 billion naira Credit Guarantee Scheme defined Small and Medium Enterprise SMEs as an enterprise that has asset base (excluding land) of between 5million to 500 million naira and a labour force of between 11 and 300 (CBN, 2005). Likewise, a small scale business was also defined as the business in which the capita is not more than 50 million naira and having 11 to 100 workers. In its capacity to employ up to an average of 100 workers, small businesses are however very important in the nation's economy. Record shows the population of Ondo state less than 3.5 million precisely 3,441,024 Non –Profit Company (NPC). A minimum average of 3500 properly financed small scale businesses could put the State in stable employment stage (CBN, 2005).

Recent studies in Nigeria affirmed that while the Central Bank of Nigeria and the World Bank are showing the way in the area of access to finance, some state governments and public agencies have concluded partnership arrangement that promises to put small businesses on the path of sustainable growth. Although, previous study by the Federal Office of Statistic (2001) shows that 97% of all business in Nigeria employed less than 100 employees. Going by this definition of Small and Medium Size Enterprises (SMEs), an umbrella term for firms with less than 250 employees, it means that 97% of all businesses in Nigeria and to use the term 'Small Business'. The SME sector provides an average of 50% of Nigeria's employment, and 50% of its industrial output (Ariyo, 2005).

The National Directorate of Employment (NDE) concept of a small scale industry has been fixed to a maximum of N35, 000. According to (Balunywa, 2010), he insisted that the number of employees may not be a good indicator, most especially in a situation whereby the company is labor intensive. Ogechukwu (2005) gave a more general and broad criteria for defining small and medium scale enterprises in different countries. These includes number of employees, annual turnover, local operations, sales volumes, financial strength, managers and owners autonomy, relatively small markets compared to their industries and capital which is supplied by individual or shareholders etc. Macqueen (2004), understood SMEs as enterprises employing 10-99 full time employees or with a fixed capital investment of US$1000-500,000.4 In Nigeria, the Third National Development plan (1975-1980) defines small business as a manufacturing or service organization whose employee is not more than 10.5

**Theoretical Review**

Schumpeter's theory of innovation is used in this study. This theory has a significant effect on research in Entrepreneurial orientation (EO) and performance of Small and Medium Size Enterprises **(**SMEs). As vigorously propounded by (Schumpeter, 2001), entrepreneurship and economic growth are positively related. As comprehensively documented by (Schumpeter, 2014), entrepreneurship is about innovation as new combinations of inputs of production are introduced by the entrepreneur resulting in increased economic growth. The increased economic growth was brought about by their skills and their ability to innovate.

Schumpeter's notion of entrepreneurship is grounded in the exploitation of profit opportunities. Furthermore, it stresses the crucial role of entrepreneurship in the economic process as it indicated that the economy will move from an economically and/or technologically inefficient point towards more economically and/or technologically efficient production point once the entrepreneur discovers previously unexploited profit opportunities (Ibru, 2007).

The production possibility frontier will be shifted outwards by the entrepreneurial process once the improved technology is discovered resulting in increased productivity and economic growth. When considering entrepreneurship and economic development, Schumpeter sees the entrepreneur as an

innovator. In addition, he views an entrepreneur as a leader that channels the factors of production into previously unexploited areas and other producers follow him into these new areas. As stated by (Schumpeter, 1961), innovation involves opening a new market, new sources of raw materials or new forms of industry organization, the introduction of a new good(s), and the introduction of new production or technical method(s). In his view, entrepreneurship is innovative as it involves the ability to break away from routine, overhaul existing structures, move the system away from the even and circular flow of equilibrium (Ibru, 2007). Dejardin (2000) stated that the Schumpeterian entrepreneur, through his innovative activity, seeks to create new profit opportunities, which can result from productivity increases, thereby impacting positively on business performance. Moreover, the disequilibrium created by the entrepreneur can be propitious for additional innovations and profit opportunities (Dejardin, 2015).

**Empirical Review**

In a study carried out by Ibrahim and Mahmood (2016) was executed in Nigeria. They investigated the impact of Entrepreneurial Orientation and competitive advantage on SMEs performance in Nigeria. In addition, the study determined whether competitive advantage mediates the relation between Entrepreneurial Orientation and performance of SMEs. The study employed Partial Least Squares Structural Equation Modeling for data analysis and hypothesis testing on a sample of 283 SMEs respondents from Kano State, North Western Nigeria. Employing principally existing literature and data relevant to the subject matter of the study, through self-administered questionnaires, they discovered a positive and significant relationship between Entrepreneurial Orientation and SMEs performance. Similarly, the result revealed a positive and significant relationship between competitive advantage and SMEs performance. Furthermore, the study confirmed that competitive advantage mediates the relationship between Entrepreneurial Orientation and the performance of SMEs in Nigeria.

The research conducted by Arisi-Nwugballa , Elom & Onyeizugbe (2016) was carried out in Nigeria. They investigated the impact of the dimensions of Entrepreneurial Orientation on the performance of Micro, Small and Medium Enterprises (MSMEs) in Ebonyi State. The study employed survey research design and Pearson Product Moment Correlation was utilized for data analysis. The results revealed that the three dimensions of Entrepreneurial Orientation were relevant to one measure of the performance of MSMEs. Furthermore, the study confirmed that competitive aggressiveness had a significant relationship with both customer and product performance. In addition, Innovativeness and pro-activeness had a significant correlation with customer performance. Risk-taking and autonomy had no significant correlation with any of the performance measures, implying that they are not relevant to the performance of MSMEs.

Kumarpeli & Semasinghe (2015) examined the association between Entrepreneurial Orientation and growth of SMEs in Sri Lanka through descriptive research design and Analysis of Variance (ANOVA) methodologies. It also investigated the relationship between the three dimensions of Entrepreneurial Orientation – innovativeness, risk-taking, and pro-activeness on the growth of SMEs. Data were sought through questionnaires and analyzed through the help of descriptive statistical techniques to test the formulated hypotheses. The results showed that Entrepreneurial Orientation has an impact on the growth of SMEs. In addition, the results revealed that innovativeness and risk-taking have a positive impact on the growth of SMEs. Nevertheless, the findings showed that pro-activeness has no significant impact on the growth of SMEs.

Baker, Mahmood and Ismail (2015) employed survey research design and Partial Least Square (PLS) methodologies on a sample of 500 SMEs owners/managers that were randomly selected from registered SMEs to examine the relationship between Entrepreneurial Orientation, strategic improvisation and performance of SMEs in Malaysia. Data were collected through mail questionnaires and the results showed that there is a significant relationship between Entrepreneurial Orientation and the performance of SMEs.

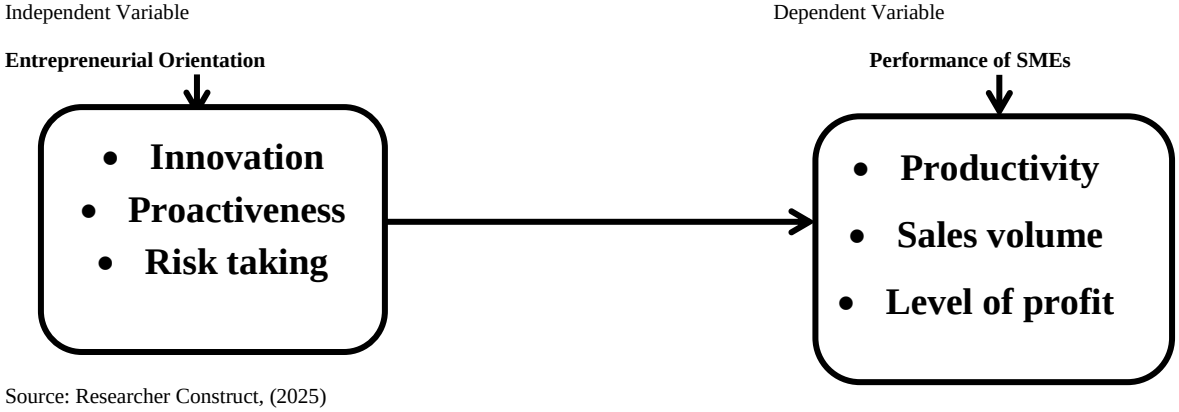
Employing principally existing literature relevant to the subject matter of the study, Okeyo, Gathungu & K'Obonyo (2016) investigated the relationship between Entrepreneurial Orientation, business development services, business environment and firm's performance. They concluded after reviewing previous researches in this area that "past studies conceptualized entrepreneurial orientation as a three-factor single-dimensional model and a five-factor multidimensional model. Studies using the three factor model have reported different results to those adopting the five-factor approach. This has led to inconsistencies in the empirical results of entrepreneurial orientation on firm's performance. The results also showed that business development services play a mediating role in the Entrepreneurial Orientation and performance relationship and that external environment moderates this relationship. Nevertheless, the results showed no role of internal environment in the Entrepreneurial Orientation -firm's performance relationship.

Amin (2017), investigated the impact of Entrepreneurial Orientation and learning orientation on SMEs performance in Malaysia employing Partial Least Squares Structural Equation Modeling (PLS-SEM) and descriptive research design on a sample of 250 SMEs and 200 SMEs selected randomly from the electronic and electrical sector and beverage industries respectively. The results revealed that entrepreneurial orientation dimensions (innovativeness, pro-activeness, and risk-taking) and learning orientation have a significant relationship with the performance of SMEs. sample of 1141 SMEs out of which 740 were micro enterprises, Civelek, Rahman & Kozubikova (2016) identified the differences of gender, education level of entrepreneurs and enterprises' age as it concerned Entrepreneurial Orientation in the segment of microenterprises in the Czech Republic sample of 1141 SMES out of which 740 were micro enterprises were used for the study. Data were sought through structured questionnaires and analyzed through the help of descriptive statistical techniques while chi-square test was used to test the formulated hypotheses. The analysis involved all the dimensions of Entrepreneurial Orientation such as competitive aggressiveness, autonomy, pro-activeness, innovativeness, and risk-taking. The results showed that university educated micro-entrepreneurs were more innovative and autonomous compared with lower educated micro-entrepreneurs. The results further revealed that younger micro firms are more proactive, innovative and willing to take risks than the older micro firms.

**Existing Gap of the Study**

From the empirical literature reviewed, it could be seen that entrepreneurial orientation plays a significant role on the performance of SMEs. Most of the studies were conducted on SMEs in Malang (Indonesia), Sri Lanka, Malaysia and Netherland. Other studies carried out in Nigeria covered the South-Eastern part (Ebonyi State) of Nigeria. This study therefore covers the gap of investigating the effects of entrepreneurial orientation on the performance of SMEs in the Middle belt region of Nigeria taking selected SMEs in Gwagwalada FCT-Abuja as its case study. This study also differs from previous studies in terms of in-depth study, method of data analysis as well as attempting to identify which of the variables actually exert the greatest influence on the performance of SMEs.

**Conceptual Framework**




Source: Researcher Construct, (2025)

## 3. METHODOLOGY

The area of the study is Gwagwalada Area Council FCT-Abuja. The study covers the following selected SMEs in the study area; Zuma Bakery, Jimrose Bakery, Season Seven Eatery, Oceanic Bakery, G9 Global Bakery and Five Star Bakery. The study adopted descriptive research design in order to provide a framework to examine the characteristics of the independent variables. This was appropriate to obtain information concerning the status of the phenomenon, to describe what the current situation is with respect to the variable of the study. The population for this study comprises of staff members of Bakery companies in Gwagwalada, Abuja and there are 156 employees of Zuma Bakery, Jimrose Bakery, Season Seven Bakery, Oceanic Bakery, G9 Global Bakery and Five Star Bakery Gwagwalada, Abuja making that the target population. The study population is distributed as detailed in table 1:

**Table 1: Population of the Study**

| **SMEs** | **Total number of employees** |
|---|---|
| Zuma Bakery | **31** |
| Jimrose Bakery | **37** |
| Season Seven Bakery | **22** |
| Oceanic Bakery | **24** |
| G9 Global Bakery | **20** |
| Five Star Bakery | **22** |
| **Total** | **156** |

**Source:** Field Survey. 2025

Yamane (1967) sampling techniques was adopted to determine the sample size

The sample size of this study was derived using Taro Yamane formula

$$S = \frac{N}{1+N(e^2)}$$

The variable **N** represents the population of the study which is 156, Margin of error is donated by '**e**' which was put at 0.05.while the **S** is the unknown sample size. Therefore, the sample size of 112 was used for the study. The study employed the use of primary sources of data collection. Data collected was analyzed using simple percentages for the demographic characteristic of the respondents and chi-square non-parametrical tool was employed to test the hypotheses.

## 4. Results and Discussion

Result from the questionnaire distributed showed that out of 112 copies of questionnaire distributed to the respondents, 94 were completed filled and returned which represent 83.9% which was used for analysis of the study.

**Respondents Characteristics**

**Table 2: Demographic Distribution of Respondents**

| **Category** | **Frequency** | **Percent** |
|---|---|---|
| **Gender of the respondents** | | |
| Male | 69 | 73.4% |
| Female | 25 | 26.6% |
| **Total** | **94** | **100.0%** |
| **Age** | | |
| **Category** | **Frequency** | **Percent** |
| 21 – 30 Years | 42 | 44.7% |
| 31 – 40 Years | 30 | 31.9% |
| 41 – 50 Years | 17 | 18.1% |
| 51 Years and Above | 5 | 5.3% |
| **Total** | **94** | **100.0%** |
| **Marital Status** | | |
| **Category** | **Frequency** | **Percent** |
| Single | 52 | 55.3% |
| Married | 40 | 42.6% |
| Divorced | 2 | 2.1% |
| **Total** | **94** | **100.0%** |
| **Year of Establishment** | | |
| **Category** | **Frequency** | **Percent** |
| 0-10 years | 54 | 57.4% |
| 11 -20 years | 36 | 38.3% |
| 21 & above years | 4 | 2.1% |
| **Total** | **94** | **100.0%** |
| **Religion** | | |
| **Category** | **Frequency** | **Percent** |
| Christian | 39 | 41.5% |
| Muslim | 51 | 54.3% |
| Others | 4 | 4.2% |
| **Total** | **94** | **100.0%** |

**Source: Field Survey, 2025**

Table 2 above shows that 69 respondents representing 73.4% of the total respondents are male while 25 respondents representing 26.6% of the total respondents are female in the study area. The table showed that 42 respondents representing 44.7% of the total respondents are between the age of 21 to 30 years, 30 respondents representing 31.9% of the total respondents are between the age of 31 to 40 years, 17 respondents representing 18.1% of the total respondents are between the age of 41 to 50 years while 5 respondents representing 5.3% of the total respondents are 51 years of age and above. On the respondents' marital status, the table shows 52 respondents representing 55.3% are single, 40 respondents representing 42.6% are married while 2 respondents representing 2.1% are divorced.

Furthermore, Table 2 above shows that 9 respondents representing 9.6% of the total respondents are top management, 43 respondents representing 45.7% of the total respondents are middle management while 42 respondents representing 44.7% of the total respondents are lower management. In addition, from table above 54 respondents representing 57.4% of the total respondents have established their business between 0-10 years, 36 respondents representing 38.3% of the total respondents have established their business between 11-20 years while 4 respondents representing 2.1% of the total respondents have established their business for more than 21 years and above.

**Analyses of Responses**

**Table 3: SMEs foster flexibility and innovation but limits competitiveness in other strategic orientations**

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 42 | 44.7 |
| Agree | 31 | 33.0 |
| Undecided | 5 | 5.3 |
| Disagree | 12 | 12.8 |
| Strongly Disagree | 4 | 4.2 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 3 shows that 42 (44.7%) respondents strongly agree that SMEs fosters flexibility and innovation but limits competitiveness in other strategic orientations, 31 (33.0%) agree, 5 (5.3%) undecided, 12 (12.8%) disagree and 4 (4.2%) strongly disagree. The response implies that majority of the respondents agree that SMEs foster flexibility and innovation but limits competitiveness in other strategic orientations.

**Table 4: Adaptation to shifting landscapes through aspects of entrepreneurship and successful product innovation is of major concern for all enterprises**

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 47 | 50.0 |
| Agree | 33 | 35.2 |
| Undecided | 2 | 2.1 |
| Disagree | 7 | 7.4 |
| Strongly Disagree | 5 | 5.3 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 4 shows that 47 (50.0%) respondents strongly agree, 33 (35.2%) agree, 7 (7.4%) disagree, 5 (5.3%) strongly disagree while 2 (2.1%) were undecided. The response implies that majority of the respondents agree that the adaptation to shifting landscapes through aspects of entrepreneurship and successful product innovation is of major concern for all enterprises.

**Table 5: Entrepreneurial orientation is related to being proactive and willing to take a risk when implementing certain strategy to compete with the business rivals**

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 46 | 48.9 |
| Agree | 20 | 21.3 |
| Undecided | 7 | 7.4 |
| Disagree | 15 | 16.0 |
| Strongly Disagree | 6 | 6.4 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 5 shows that 46 (48.9%) respondents strongly agree that entrepreneurial orientation is related to being proactive and willing to take risk when implementing certain strategies to compete with the business rivals, 20 (21.3%) agree, 15 (16.0%) disagree, 6 (6.4%) strongly disagree while 7 (7.4%) were undecided. The response implies that majority of the respondents agree that entrepreneurial orientation is related to being proactive and willing to take risks when implementing certain strategy to compete with the business rivals.

**Table 6: Businesses with EO have an undue advantage of proactiveness which gives them the ability to present new offers to the market ahead of competitors**.

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 42 | 44.7 |
| Agree | 37 | 39.3 |
| Undecided | 5 | 5.3 |
| Disagree | 4 | 4.3 |
| Strongly Disagree | 6 | 6.4 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 6 shows that 42 (44.7%) and 37 (39.3%) respondents strongly agree and agree that businesses with EO have an undue advantage of proactiveness which gives them the ability to present new offers to the market ahead of competitors, while 4 (4.3%) disagree, 6 (6.4%) strongly disagree while 5 (5.3%) were undecided. The response implies that majority of the respondents agree that businesses with EO have an undue advantage of proactiveness which gives them the ability to present new offers to the market ahead of competitors.

**Table 7: SMEs take risks to break away from normal path and venture into unknown territory.**

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 40 | 42.6 |
| Agree | 48 | 51.1 |
| Undecided | 2 | 2.1 |
| Disagree | 1 | 1.1 |
| Strongly Disagree | 3 | 3.1 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 7 shows that 40 (42.6%) respondents strongly agree that SMEs take risks to break away from normal path and venture into unknown territory, 48 (51.1%) agree, 1 (1.1%) disagree, 3 (3.2%) strongly disagree while 2 (2.1%) were undecided. The response implies that majority of the respondents agree that SMEs take risks to break away from normal path and venture into unknown territory.

**Table 8: Risk taking and the pursuit of new ideas are aspects actively promoted by innovative SMEs**

| **Responses** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Strongly Agree | 46 | 48.9 |
| Agree | 20 | 21.3 |
| Undecided | 7 | 7.4 |
| Disagree | 15 | 16.0 |
| Strongly Disagree | 6 | 6.4 |
| **Total** | **94** | **100** |

**Source: Field Survey, 2025**

Table 8 shows that 46 (48.9%) respondents strongly agree that risk taking and the pursuit of new ideas are aspects actively promoted by innovative SMEs, 20 (21.3%) agree, 15 (16.0%) disagree, 6 (6.4%) strongly disagree while 7 (7.4%) were undecided. The response implies that majority of the respondents agree that risk taking and the pursuit of new ideas are aspects actively promoted by innovative SMEs.

**Test of Hypotheses**

**Hypotheses One**

**$H_{o1}$:** There is no significant relationship between innovation and the productivity of SMEs in Gwagwalada, Abuja.

**Table 9: Contingency Table for Hypotheses One**

| **Table** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** | **Total** |
|---|---|---|---|---|---|---|
| Table 4.3 | 42 | 31 | 5 | 12 | 4 | 94 |
| Table 4.4 | 47 | 33 | 2 | 7 | 5 | 94 |
| **Total** | **89** | **64** | **7** | **19** | **9** | **188** |

**Expected Frequency**

$$F_e = \frac{CT \times RT}{GT}$$

Where CT = Column Total

RT = Row Total

GT = Grand Total

1. $F_e = \frac{89 \times 94}{188} = \frac{8366}{188} = 44.5$
2. $F_e = \frac{64 \times 94}{188} = \frac{6016}{188} = 32$
3. $F_e = \frac{7 \times 94}{188} = \frac{658}{188} = 3.5$
4. $F_e = \frac{19 \times 94}{188} = \frac{1786}{188} = 9.5$
5. $F_e = \frac{9 \times 94}{188} = \frac{846}{188} = 4.5$

**Table 10: Computation of the Chi-square from the Contingency Table**

| **Fo** | **$F_e$** | **Fo – $F_e$** | **$(Fo - F_e)^2$** | **$(Fo - F_e)^2 / F_e$** |
|---|---|---|---|---|
| 42 | 44.5 | -2.5 | 6.25 | 2.14 |
| 31 | 32 | -1 | 1 | 1.03 |
| 5 | 3.5 | 1.5 | 2.25 | 1.64 |
| 12 | 9.5 | 2.5 | 6.25 | 1.65 |
| 4 | 4.5 | -0.5 | 0.25 | 1.06 |
| 47 | 44.5 | 2.5 | 6.25 | 2.14 |
| 33 | 32 | 1 | 1 | 1.03 |
| 2 | 3.5 | -1.5 | 2.25 | 1.64 |
| 7 | 9.5 | -2.5 | 6.25 | 1.65 |
| 5 | 4.5 | 0.5 | 0.25 | 1.06 |
| | | | | **$X^2 = 15.04$** |

Therefore the calculated chi-square ($X^2$) value is 15.04. To obtain the table value of chi-square, the degree of freedom (df) is calculated. Therefore the degree of freedom = (r - 1) (c - 1)

Where r = number of rows in the contingency table

c = number of columns in the contingency table

df = (2 - 1) (5 - 1)

(1)(4)

= 4

At a significant level of 5% and a degree of freedom of 4, the table value equals 9.49. The table value of 9.49 is less than the calculated value of 15.04. Therefore, based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

**Decision Rule**

From the calculation above, the calculated chi-square value of 15.04 is greater than the table value of chi-square which is 9.49. Therefore, accept the alternative hypothesis which states that, “there is a significant relationship between innovation and the productivity of SMEs in Gwagwalada, Abuja”

**Hypotheses Two**

**$H_{o2}$:** There is no significant relationship between proactiveness and the level of profit of SMEs in Gwagwalada, Abuja.

**Table 4.11: Contingency Table for Hypotheses Two**

| **Table** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** | **Total** |
|---|---|---|---|---|---|---|
| Table 4.5 | 46 | 20 | 7 | 15 | 6 | 94 |
| Table 4.6 | 42 | 37 | 5 | 4 | 6 | 94 |
| **Total** | **88** | **57** | **12** | **19** | **12** | **188** |

**Expected Frequency**

$$F_e = \frac{CT \times RT}{GT}$$

Where CT = Column Total

RT = Row Total

GT = Grand Total

1. $F_e = \frac{88 \times 94}{188} = \frac{8272}{188} = 44$

2. $F_e = \frac{57 \times 94}{188} = \frac{5358}{188} = 28.5$

3. $F_e = \frac{12 \times 94}{188} = \frac{1128}{188} = 6$

4. $F_e = \frac{19 \times 94}{188} = \frac{1786}{188} = 9.5$

5. $F_e = \frac{12 \times 94}{188} = \frac{1128}{188} = 6$

**Table 4.12: Computation of the Chi-square from the Contingency Table**

| **Fo** | **$F_e$** | **Fo – $F_e$** | **$(Fo - F_e)^2$** | **$(Fo - F_e)^2 / F_e$** |
|---|---|---|---|---|
| 46 | 44 | 2 | 4 | 0.09 |
| 20 | 28.5 | -8.5 | 72.25 | 2.54 |
| 7 | 6 | 1 | 1 | 0.17 |
| 15 | 9.5 | 5.5 | 30.25 | 3.18 |
| 6 | 6 | 0 | 0 | 0 |
| 42 | 44 | -2 | 4 | 0.09 |
| 37 | 28.5 | -8.5 | 72.25 | 2.54 |
| 5 | 6 | -1 | 1 | 0.17 |
| 4 | 9.5 | -5.5 | 30.25 | 3.18 |
| 6 | 6 | 0 | 0 | 0 |
| | | | | **$X^2 = 11.96$** |

Therefore the calculated chi-square ($X^2$) value is 11.96. To obtain the table value of chi-square, the degree of freedom (df) is calculated. Therefore the degree of freedom = (r - 1) (c - 1)

Where r = number of rows in the contingency table

c = number of columns in the contingency table

df = (2 - 1) (5 - 1)

(1)(4)

= 4

At a significant level of 5% and a degree of freedom of 4, the table value equals 9.49. The table value of 9.49 is less than the calculated value of 11.96. Therefore, based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

**Decision Rule**

From the calculation above, the calculated chi-square value of 11.96 is greater than the table value of chi-square which is 9.49. Therefore, accept the alternative hypothesis which states that, “there is a significant relationship between proactiveness and the level of profit of SMEs in Gwagwalada, Abuja”

**Hypotheses Three**

**$H_{o3}$:** There is no significant relationship between risk taking and the sales volume of SMEs in Gwagwalada, Abuja.

**Table 4.13: Contingency Table for Hypotheses Three**

| **Table** | **Strongly Agree** | **Agree** | **Undecided** | **Disagree** | **Strongly Disagree** | **Total** |
|---|---|---|---|---|---|---|
| Table 4.9 | 40 | 48 | 2 | 1 | 3 | 94 |
| Table 4.10 | 46 | 20 | 7 | 15 | 6 | 94 |
| **Total** | **86** | **68** | **9** | **16** | **9** | **188** |

**Expected Frequency**

$F_e = \frac{CT \times RT}{GT}$

Where CT = Column Total

RT = Row Total

GT = Grand Total

1. $F_e = \frac{86 \times 94}{188} = \frac{8084}{188} = 43$
2. $F_e = \frac{68 \times 94}{188} = \frac{6392}{188} = 34$
3. $F_e = \frac{9 \times 94}{188} = \frac{846}{188} = 4.5$
4. $F_e = \frac{16 \times 94}{188} = \frac{1504}{188} = 8$
5. $F_e = \frac{9 \times 94}{188} = \frac{846}{188} = 4.5$

**Table 4.14: Computation of the Chi-square from the Contingency Table**

| **Fo** | **$F_e$** | **Fo – $F_e$** | **$(Fo - F_e)^2$** | **$(Fo - F_e)^2 / F_e$** |
|---|---|---|---|---|
| 40 | 43 | -3 | 9 | 0.21 |
| 48 | 34 | 14 | 196 | 5.76 |
| 2 | 4.5 | -2.5 | 6.25 | 1.39 |
| 1 | 8 | -7 | 49 | 6.13 |
| 3 | 4.5 | -1.5 | 2.25 | 0.5 |
| 46 | 43 | 3 | 9 | 0.21 |
| 20 | 34 | -14 | 196 | 5.76 |
| 7 | 4.5 | 2.5 | 6.25 | 1.39 |
| 15 | 8 | 7 | 49 | 6.13 |
| 6 | 4.5 | 1.5 | 2.25 | 0.5 |
| | | | | **$X^2 = 27.98$** |

Therefore the calculated chi-square ($X^2$) value is 27.98. To obtain the table value of chi-square, the degree of freedom (df) is calculated. Therefore the degree of freedom = (r - 1) (c - 1)

Where r = number of rows in the contingency table

c = number of columns in the contingency table

df = (2 - 1) (5 - 1)

(1)(4)

= 4

At a significant level of 5% and a degree of freedom of 4, the table value equals 9.49. The table value of 9.49 is less than the calculated value of 27.98. Therefore, based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

**Decision Rule**

From the calculation above, the calculated chi-square value of 27.98 is greater than the table value of chi-square which is 9.49. Therefore, accept the alternative hypothesis which states that, "there is a significant relationship between risk taking and the sales volume of SMEs in Gwagwalada, Abuja".

## 5. CONCLUSION AND RECOMMENDATIONS

The primary objective of the study is to examine the effect of entrepreneurial orientation on the performance of SMEs. The study concluded that there is a significant relationship between entrepreneurial orientation and the performance of SMEs in Gwagwalada, FCT-Abuja. The study further concludes that there is a significant relationship between innovation and the productivity of SMEs, there is a significant relationship between proactiveness and the level of profit of SMEs and also that there is a significant relationship between risk taking and the sales volume of SMEs in Gwagwalada, Abuja.

The findings of the study demonstrated that SMEs foster flexibility and innovation but limits competitiveness in other strategic orientations, the adaptation to shifting landscapes through aspects of entrepreneurship and successful product innovation is of major concern for all enterprises, entrepreneurial orientation is related to being proactive and willing to take risks when implementing certain strategy to compete with the business rivals and also that businesses with entrepreneurial orientation have an undue advantage of proactiveness which gives them the ability to present new offers to the market ahead of competitors.

The study further concluded that by embarking on market intelligence, firms should be better able to understand the needs and wants in the marketplace, when a firm's entrepreneurial orientation and product innovativeness are aligned, the maximum positive effect on performance is achieved.

The study also concluded that SMEs take risks to break away from normal path and venture into unknown territory, risk taking and the pursuit of new ideas are aspects actively promoted by innovative SMEs, Innovativeness raises limitation barriers and may help firms in achieving competitive advantage, the awareness of market signals initiates new opportunity and exploits it and lastly that innovation is a vital element for the firms to enter and stay in the markets.

The study recommended that there is need to add values to their firms, SMEs operators in Abuja need to be innovative in their entrepreneurial activities with emphasis on process and radical innovations so as to boost their level of productivity. There is need for SME owner in Gwagwalada Abuja should be proactive in seeking new product ideas and customer product information that will in turn enable them generate ideas on designing and manufacturing innovative products which will enable an increase in its level of profitability.

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