Entrepreneurial Orientation and Survival of SME Manufacturing Companies in River State, Nigeria

Patrick Oyaregba Aigboje
Department of Business Administration and Marketing, School of Management Sciences, Babcock University, Ilishan-Remo, Ogun State, Nigeria.

ABSTRACT: The practice of entrepreneurial orientation facilitates the achievement of high input in much organization worldwide. Despite the effort of the Federal government of Nigeria to promote entrepreneurship by removing regulatory barriers, many entrepreneur in the manufacturing sector in Rivers State frequently suffered decline in performance. However this study examines entrepreneurial orientation and survival of selected SMEs manufacturing companies in Port Harcourt, Rivers State Nigeria. Survey research design was adopted for the study with a population of 450 employees sampled from 15 indigenous SMEs manufacturing companies in Port Harcourt. Questionnaire Research instrument was adopted who reliability was determined by using Cronbach Alpha Coefficient. Convenient and random sampling technique was utilized to obtain the sample size. The data collected was analyzed using descriptive and inferential statistics. Findings of the study revealed a positive relationship between entrepreneurial orientations and performance of selected SMEs manufacturing companies in Port Harcourt. The study concluded by identifying a significant and positive relationship between entrepreneurial orientation and survival of selected SMEs manufacturing companies in Port Harcourt. Based on the finding, the study recommended for owners/managers of SMEs manufacturing companies in Port Harcourt to be proactive and engage in regular innovation within the firm level in an effort to improve on performance.

KEYWORD: Entrepreneurial Orientation, Proactiveness innovativeness, risk taking, Survival.

I. INTRODUCTION

There is increasing awareness in the global communities regarding the importance of entrepreneurial orientation (EO) as it has been identified as one of the vehicular factors advancing economic growth in both the developing and developed countries of the world. In the context of development, entrepreneurial orientation advanced to create new opportunities, enlarges the assortment of goods and services, and increases global prosperity and competitiveness. Similarly, there are many organizational factors that influence performance. This study placed considerable emphasis to identify those organizational factors that cultivate entrepreneurial orientation in the small and medium enterprises manufacturing sector utilizing employee’s effectiveness as criteria. It is important for entrepreneurs to continuously self-renew by focusing on opportunities aimed to drive performance.

Globally, entrepreneurial orientation is important in order to achieve an entrepreneurial performance climate. Covin and Lumpkin (2012); Miller, Breton-Miller, and Lester (2011) define entrepreneurial orientation as the strategic dimension for organizational performances. However, Agboje (2018) define entrepreneurial orientation as a visionary expert who proactively takes advantage of opportunities irrespective of the prevailing uncertainty for profit making. The conception of entrepreneurial orientation vision requires that the SMEs develops norms and behaviors that will fosters entrepreneurial processes in their business activities as studies emphasized that an internal strategy remains an essential factor that will facilitates employee effectiveness to prevent dearth in survival (Ajake, 2015).

Nevertheless, SMEs have contributed in no small measure to the growth and development of Nigerian economy as evident in the Micro Small and Medium Enterprises (MSMEs) that has risen to a level of providing employment for about 84.02% of the total labor force, represent 96% of the businesses in Nigeria and contributed 48.47% to the nation’s Gross Domestic Product (GDP) Nigeria Bureau of Statistics, 2017. Despite the effort by the government to promote entrepreneurship by removing regulatory blockades such as increasing capital supply, ameliorating liquidation provisions and consolidation stock markets, many entrepreneurs scarcely performed (Aigboje 2016). Some of the features deduced for the dearth in performances are paucity in
implementation of entrepreneurial orientation dimensions insufficient capital outlay, lack of focus, inadequate market research, and lack of planning. In view of this, Oluwajoin (2014) highlighted that paucity in entrepreneurial performance is associated with inability of entrepreneurs to be proactive, innovative and risk taking which conversely commutated to their crumbly before 8 year of operation. Also, most entrepreneurs failed or care not to understand that reward system in SMEs businesses influences the behavior of employees to assume specific roles and responsibilities that encourages entrepreneurial intentions that will facilitate business performance (Prabin, 2016).

However, one of the major challenges in using reward and reinforcement as a means of cultivating entrepreneurial orientation among employees is that the effect of entrepreneurial actions requires longer time to be realized and recognized (Oluwajoin, 2014). In view of the concept under investigation, the study adopted the three dimensions of EQ such as proactiveness, innovativeness and risk taking as developed by Miller (1983). Moreover, the three critical dimensions identified have been recognized as the veritable tools that act as engine that pivot industrialization (Aigboje, 2018). For the purpose of this study, the aforementioned dimensions were adopted and reinforced as indices to measure entrepreneurial orientation and survival.

The main objective of this study was to examine the interaction between entrepreneurial orientation and survival SME companies in Rivers State
The specific objectives are:

i. Determine the relationship between proactiveness and survival of selected SMEs manufacturing companies in Rivers State
ii. Examine the relationship between innovativeness and survival of selected SMEs manufacturing companies in Rivers State.
iii. Examine the relationship between risk taking and survival of selected SMEs manufacturing companies in Rivers State.

The study provided answers to the following research questions

i. What is the relationship between proactiveness and survival of selected SMEs manufacturing companies in Rivers State Nigeria?
ii. In what way does innovativeness relates to survival of selected SMEs manufacturing companies in Rivers State. Nigeria?
iii. What is the relationship between risk taking and survival of selected SMEs manufacturing companies in Rivers State Nigeria?

II. LITERATURE REVIEW

Entrepreneurial Orientation

There is sufficient evidence in the literature which indicates that entrepreneurial orientation may impact on survival. Countries, particularly developing countries of the world, have accepted the importance of entrepreneurship in fostering the development and management of industry. However, Lumkin and Dess (2014); Covin and Lumpkin (2011); Sandra (2011) defined entrepreneurship as a visualizer and actualize. Entrepreneurial orientation (EQ) is define as a key utilized by top executives management in the course of making plans with the hopes of doing something new and taking advantage of opportunities to edged competitors (Lechner& Christian, 2014). The researcher define entrepreneurial orientation as the coordination and evaluation of business opportunities that abound in a given business environment through the application of EQ dimensions. Clarifying the entrepreneurial orientation construct and linking it to performance Casillas and Moreno (2010) argued that the dimensions of entrepreneurial orientation comprises of autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk taking. However, the study will utilized the EQ construct such as proactiveness, innovativeness and risk taking to drive performance.

Proactiveness

Relatively, a stable tendency of an individual to take action in order to influence the environment for a change is known as proactivity. Proactiveness is the propensity to get ahead and act on future prospect and needs rather than responding later when the incident must have been unfolded (Aigboje, 2018). A proactive organization is that organization that adopts an opportunity seeking vision (Miller &Frensen, 2014). Proactiveness remains an integral ingredient of entrepreneurship which highlights the anticipation by seeking new opportunities in support of present and future demand which allows an organization to stay ahead of competition (Mahmood, 2014). Securing and protecting employee effectiveness demands a forward looking perspective and actions that reflect proactive behaviour in the organization (Covin&Slevin, 2013). In the effort to steadfast the competition in the global market organization may also be strategically proactive by introduce new products and services to tap market opportunities and such behaviors also constitute to enhance employee effectiveness (Abdul, 2018).
Innovativeness

Innovativeness is the propensity to pursue sported opportunities associated with creativity and testing (Aigboje, 2018). Moerover, Nick and Skilllicorn (2014) define innovation as turning an idea into a solution that adds value from a customer’s perspective. Also, David (2014) defines innovation as the application of ideas that are novel and useful. The author further stressed that creativity is the ability to generate novel and useful ideas as it is the seed of innovation unless it’s applied and scaled it’s still just an idea (David, 2014). Some innovations are built on current talents to tract incremental developments; while more drastic innovative ideas need brand-new skills which will render the old talents obsolete (Kraus, 2013). The Kraus argued that innovativeness, proactiveness and risk taking positively relate to survival.

Brigham and Zachary (2014) argued that a firm or organization is entrepreneurially inclined if it is an organization that involve its business activities on product market innovation, as well undertakes somewhat ventures that have the likelihood of future uncertainty. Those firms that are fruitful in pursuing innovative ideas tend to enjoy high level of business stability and performance than those that do not (Busatlic, 2015). Additionally, Busatlic (2015) posited that innovation referred to the propensity to initiate and pursue new ideas, novelty, carrying out tests and creating procedures that might produce new products, services, or technological processes or practices that explore beyond the current borders. Kraus (2013) argued that innovativeness, proactiveness and risk taking are dimensions of entrepreneurial orientation that encourage employee effectiveness. In line with this claim, entrepreneurship literature provides adequate evidence that innovation is the widely-examined dimension of entrepreneurial orientation.

Risk-Taking

Risk-taking involves the readiness to go after opportunities that have a considerable probability of creating losses or significant performance (Aigboje, 2018). Stiff competition in the market indicates that every organization is required to engage in risky endeavour to capitalize the available opportunities in the environment. In order to fast-tract this, organization required to implement an organizational culture that favour employee effectiveness driven by entrepreneurial orientation (Prabin, 2016). Entrepreneurial research highlights that entrepreneurs are generally risk seekers or at least less risk averse than others. According to Lumpkin and Dess (2014), the degree to which each individual differs in their willingness to take risk constitute the entrepreneurial orientation element of risk taking. This is associated with the risk of revenue or risk of other monetary involvement of the company (Nsubili, 2017). The scholar further reiterated that the concept is a connotation of everything that incorporate enormous act of, for instance borrowing money that might face future uncertainty. However, Cohen (2013) stressed that risk taking refers to the propensity to carry out brave business activities rather than carefully planned actions. The risk here concerned the executive who has the authority to direct the flow of business activities with the assistant of committed employees.

Empirical Review

In this section, a review is done on the findings of various scholars and researchers who conducted empirical researches relating to entrepreneurial orientation and survival.

However, Ndubuisi and Iftikha (2012) carried out a study on the impact of entrepreneurial orientation on SMEs in Pakistan. The scholar employed samples of one hundred and twenty four 124 SMEs operating in Pakistan. Findings showed that entrepreneurial orientation has significant relationship on firm’s performance. The study also revealed positive relationship in the work of Fotoki (2012) who conducted a study on EO and survival in USA. Findings indicated that there was a significant positive relationship between EQ and performance of SMEs USA. Additionally, Hanafi and Mahmood (2013) empirically investigated the effect of competitive advantage on EO and performance of Women owned SMEs in Malaysia utilizing questionnaires and regression method for the analysis. The findings of the study revealed there is a significant and positive relationship between EO and performance. This is also similar to Alarape’s (2013) who conducted a study on the relationship between EO dimensions and performance of SMEs. Findings equally established a significant and positive relationship between entrepreneurial orientation and survival. Also, Faizol, Hirobuni and Tanaka (2010) examined entrepreneurial orientation and business performance of Small and medium scale enterprises of the Hambantota district of Sri Lanka. The result showed a strong linkage between entrepreneurial orientation and firm performance. A research was conducted by Ann and Wanjuru (2015) on entrepreneurial orientation on the performance of Women owned enterprises in Kenya. Finding revealed that entrepreneurial orientation and its salient dimensions have significant relationship on enterprises owned by women entrepreneurs in Kenya.

Theoretical Framework

In this study, two distinct theories were adopted. These theories are Uni dimensional theory by Miller (1983) and Multidimensional theory by Lumpkin and Dess (1996). The justification for the adoption of the theories was associated with the interrelationship of the theories to the study.
2.3.1 Uni-dimensional Theory

This theory was propounded by Miller (1983). The concept, depicted a company as being entrepreneurial if it is one that involves in product market innovation, embark on somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch according to Covin and Slevin (1989). The underlying impression behind this theory is on the account that a firm needs to simultaneously be proactive, innovative and risk taking. The theory is on the assumption that all the dimensions move pari passu therefore cannot be inseparable. The dimensions must co-vary with each other or work in unison to facilitate survival (George & Marino, 2011). Among the supporters of the theory are Kraus (2012); Kraus (2013); Su (2011); Zhang and Zhang (2012). The scholars argued that entrepreneurial orientation dimension such as innovativeness; risk taking and proactiveness are indices for firm’s performance. Conversely, Auger, Barnir and Gallaugher (2003); Smart, and Conant (1994) were unable to find a significant relationship between entrepreneurial orientation and firm performance.

2.3.2 Multidimensional Theory

This theory was propounded and developed by Lumpkin and Dess (1996). The theory perceived entrepreneurial orientation as a panacea to firm performance. In this context, entrepreneurship is taken to be characterized by certain processes or characteristics related to the pursuit of opportunity associated with individual or enterprises. The idea behind the multidimensional theory of Lumpkin and Dess (1996) is that the dimensions of entrepreneurial orientation (EO) such as proactiveness, innovativeness and risk taking exist independently from each other. It is of the assumption that entrepreneurial orientation must exists either as a set of independent behavioral score with a range from low to high across dimensions (Covin& Lumpkin, 2011). The theory has some concurring scholars such as (Kreiser, Marino, & Weaver, 2002; Runyan, Ge, Dong, &Swinney, 2010; Lee, & Lim, 2009). The supporters identified entrepreneurial orientation dimensions as proactiveness, competitive aggressiveness, innovativeness, risk taking and autonomy. They stressed that EO exists independently from each other (Li, Huang, Tai, &Tajeddini, 2010; Casillar& Moreno, 2010). Conversely, there are critics such as (Auger, Bamir, &Gallaugher, 2003; Smart, & Conant, 1994) who were unable to find a significant relationship between entrepreneurial orientation and firm performance.

III. METHODOLOGY

This study adopted survey research design because it was useful in assessing the thought, opinion and feeling of different group of individual and allowing them give more valid and honest feedback. The population of this study is made up 450 employees randomly selected from the categories of senior staff, managers and director of 15 selected SMEs manufacturing companies in Rivers State. The sample size of 212 was calculated using the Taro Yamane sample size determination formula. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested utilizing the Spearman’s Rank Order Correlation Statistics to the associations and multiple regressions to test for the most predictive variable. The tests were carried out at a 95% confidence interval and a 0.05 level of significance. The econometric models to determine effect of entrepreneurial orientation on survival is given as follows:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \]

Where: \( Y \) = Survival
\( \beta_0 \) = Constant Term
\( \beta_1, \beta_2, \beta_3 \) = Parameters to be estimated
\( X_1 \) = Proactiveness
\( X_2 \) = Innovativeness
\( X_3 \) = Risk Taking
\( \varepsilon \) = Error Term

IV. DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Bivariate Analysis

Data analysis was carried out using the inferential statistics at a 95% confidence interval. Specifically, multiple regression analysis was employed to test the hypotheses formulated. The level of significance 0.05 is adopted as a criterion for accepting the null hypothesis. The analysis began by presenting first the relationships existing among the variables. The intention was to determine the existence of multicollinearity problem in the variables.
The scatter plot graph shows relationship among the variables. The implication is that an increase in entrepreneurial orientation (proactiveness, innovativeness, and risk taking) would simultaneously bring about an increase in the level of survival. The scatter diagram has provided vivid evaluation of the closeness of the relationship among the pairs of variables through the nature of their concentration.

4.2 Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Proactiveness</th>
<th>Innovativeness</th>
<th>Risk Taking</th>
<th>Survival</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survival</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactiveness</td>
<td>.853**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovativeness</td>
<td>.712**</td>
<td>.717**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Risk Taking</td>
<td>.657</td>
<td>.717**</td>
<td>.756**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (1-tailed).

** Source: Research Data, 2019 (SPSS output version 21.0)**

Table 1 shows that survival has a strong and positive significant correlation with the proactiveness (r = 0.853**, p<0.05) and innovativeness (r = 0.712**, p<0.05). Survival has a significant and moderate positive correlation with risk taking (r = 0.657**, p<0.05).

4.3 Regression Analysis

4.3.1 Model Summary

Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.850**</td>
<td>0.722</td>
<td>0.718</td>
<td>.44749</td>
</tr>
</tbody>
</table>

a. Predictors: (constant), Risk taking, proactiveness and innovativeness

** Source: SPSS output version 21.0**

Table 2 shows that the adjusted coefficient of determination (R2) 0.718, which indicates that 71.8% of the variation in survival is explained by the study variables (Risk taking, Proactiveness, Innovativeness). The 28.2% of the variation is explained by other factors outside the model and the error term. The correlation coefficient of 0.850 indicates that there is a strong positive relationship between sub-variables of EO (Risk taking, Proactiveness, Innovativeness) and survival of selected SMEs manufacturing companies in Port Harcourt Rivers State Nigeria.
4.3.2 ANOVA

Table 4.3: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>100.972</td>
<td>3</td>
<td>33.657</td>
<td>168.077</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>38.848</td>
<td>194</td>
<td>.200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>139.820</td>
<td>197</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Survival
b. Predictors: (Constant), Risk taking, Proactiveness, Innovativeness

Table 4 indicates that the F value of 168.077 is significant at 95% confidence level since the p-value (0.000<0.05), an indicator that the model was a good fit. Additionally, the regression sum of squares (100.972) is more than residual (38.848), indicating that the study variables explain a greater proportion of the variation in the model. In addition the significant P-value of (0.000) is smaller than (0.05) which implies that jointly, the independent variables namely: proactiveness, innovativeness and risk taking to a large extent explained the variations in the dependent variable survival.

4.3.3 Regression Coefficients

Table 4: Regression Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.028</td>
<td>.157</td>
<td>6.555</td>
<td>.000</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>.017</td>
<td>.081</td>
<td>0.018</td>
<td>.209</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>.025</td>
<td>.096</td>
<td>0.204</td>
<td>.034</td>
</tr>
<tr>
<td>Risk taking</td>
<td>.528</td>
<td>.064</td>
<td>0.651</td>
<td>.823</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Survival

Source: Researcher computation (2019)

In line with the study results, the following regression equation can be specified:

\[ Y = 1.028 + 0.018X_1 + 0.204X_2 + 0.651X_3 + 6 \]

Table 4 shows that proactiveness, innovativeness, and risk taking have significant positive relationship with the performance of selected SMEs manufacturing companies in Port Harcourt Rivers State Nigeria. These findings indicate that proactiveness, innovativeness, and risk taking significantly influence survival of selected SMEs manufacturing companies in Port Harcourt Rivers State Nigeria.

Discussion of Findings

The study established that proactiveness, innovativeness, and risk taking significantly influence survival of selected SMEs manufacturing companies in Port Harcourt Rivers State Nigeria. These findings are similar to those of Hayton (2005) who established that corporate entrepreneurship activities impacted and affected the behaviour of workers and their relationships within the organization. His study revealed that the engagement of firms in corporate entrepreneurship enhanced the extent to which the workers were more innovative and pro-active. In another study, Covin and Miles, (1999) established that information technology organizations were able to reverse their sales volumes and poor performance through the adoption of corporate entrepreneurship models and practices.

Therefore, the study further strengthens the assertion of previous studies that identifies corporate entrepreneurship as significantly impactful on the activities and behaviour of the organization, as well as having the capacity to transform the organization through innovative and change oriented behavior (Hayton, 2005). Similarly, Twomey and Harris (2000) observed the existence of a significant correlation between corporate entrepreneurship and improved or enhanced functionality of the organization. Unfortunately, as noted by Hayton, (2004), little can be inferred from his study given the limitations given the study’s observed reliance on only one single source of data.

V. CONCLUSION AND RECOMMENDATIONS

The study concludes that a significant positive relationship exists between entrepreneurial orientation and survival of SME manufacturing companies in Port Harcourt. The study recommends that management should adopt competitive positions that hold out in the long run. Their structures and market advances through innovation and pro-activeness should not wear them out but should be sustainable and efficient. They should adopt approaches geared towards constantly seeking out better ways of improving their services and should focus on identifying better ways of delivering their products and services.
REFERENCES


