Entrepreneurship Orientation and Entrepreneurship Culture and the Performance of Small and Medium-scale Enterprises in Calabar Metropolis - Nigeria

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Abstract

The study empirically examined entrepreneurship orientation, entrepreneurship culture and performance of small and medium-scale enterprises in Calabar Metropolis. The major objective of the paper was to explore how strategic entrepreneurship practices affect the accomplishment of SMEs goals in Cross River State. The study was anchored on Resource-based theory (RBT). The study used survey research design. Survey research design was employed, and a population of one thousand, two hundred and ninety-four (1294) employees were involved. The study utilized Taro Yamane formula to determine the sample size of 400 employees. The sampling technique used in this study was purposive sampling method. The paper used multiple linear regression technique in testing the two hypotheses. The study revealed a positive relationship
between entrepreneurial orientation and growth of SMEs. Furthermore, it was found that entrepreneurial culture has a negative effect on profitability of SMEs. Also, it was found that strategic resource management has significant effect on the quality of products of SMEs. The researcher supported various findings with suggestions among other things that the managers should continuously incorporate new decision-making strategies, procedures and behaviour that will put the organization into an advantageous position into entering new or established markets with new or existing goods or services. It was also recommended among others that entrepreneurial culture should be strengthened by managers of SMEs in Cross River State in pursuit of firm’s performance as well as yielding to the economic growth of Nigeria.

**Keywords**

Entrepreneurship Orientation, Entrepreneurship Culture, Resource-based Theory, Small and Medium Enterprise Scheme and Competitive Advantage.

**Introduction**

Nigeria's business environment is flooded with challenging economic activities varying from agriculture, mining, manufacturing, services of different types and this makes the business environment to be intense in competition. This intense competition has given rise to competition amongst firms and SMEs in Nigeria are struggling under this competitive environment to improve and sustain in their businesses. Therefore, managers are on their feet looking for strategic alternatives on how to actualize, work upon and maintain firm’s performance and competitive economic advantage. Strategic entrepreneurship practices have been the focus of many managers to adopt as strategies for creation of wealth in an organization. This is because strategies give the roadmap on how managers can achieve their goals. It is worthy to note that well formulated strategic actions in a given competitive environment will facilitate careful integrated desired strategic outcomes. Organisations with clear strategy; for instance, leadership strategy or quality differentiation, will over-ride those firms that engage numerous- strategies. Businesses that remain in a competitive environment and excel in performance over other firms use competitive strategy to be at the top. (Gbolagade, Adesola & Oyewale, 2013).

Strategic entrepreneurship involves opportunity-seeking behaviour and advantage-seeking behaviour. Entrepreneurial firms that are new are more effective and efficient than the bigger organizations in terms of identifying opportunities within an economic and business environment. It is believed that the newer firms tend to be more innovative in nature and their flexibility and willingness to take risk places them in an advantageous position to perform well. On the other hand, bigger organizations could have the resources and
capability to take advantage of opportunities if identified. Therefore, newer firms are obviously opportunity seeking than well-established firms (Ireland & Webb, 2007). Imperatively, for firms to take competitive advantage, organizations must identify and exploit opportunities effectively in this contemporary period. (Brainslav, 2013). The strategy making practices that companies adopt in identifying and promoting corporate opportunities is known as entrepreneurial orientation. It can also be defined as the decision-making techniques, practices, approaches and actions that enable ‘entry’ into new business sectors that have been in existence with new or existing products. Entrepreneurial culture is seen as an aspect in which new ideas, inventiveness and taking of risks are employed to attain set goals. It embraces failure as part of the learning process. Opportunities abound as consistent change is welcome. Moreover, entrepreneurial orientation is the "procedure making rehearses that organizations use to find out and build up corporate endeavors". Entrepreneurship orientation is viewed as the dynamic methodologies, procedures, practices and activities that prompt ‘passage’ into existing or new business sectors with existing or new products (Wiklund & Shepherd 2003; Walter, Auer & Ritter 2006 and Lumpkin & Dess 1996). This exposition of entrepreneurial orientation conforms with the opinion that entrepreneurial orientation precipitates to new market entry in either existing or new markets, but perceives that this can be realised with the introduction of existing services and goods.

An organisation that is enterprising focused ventures into existing or new business sectors, with values that are developed based on existing products or new services, in a manner that brings economic advantage despite the uncertainty and risk it bears during implementation. Entrepreneurial orientation made up of three dimensions known and referred as; proactiveness, innovativeness and risk-taking. An entrepreneur should always strike a balance within these three-dimensional approaches (Covin, Green & Slevin 2006). This is very significant because Lumpkin and Dess (1996) opined that some of the dimensions of entrepreneurship orientation have a direct correlation with business performance in certain condition.

Entrepreneurial culture embraces fresh ideas as well as creativity that will propel returns on investment and failure could bring innovativeness. In addition, innovations about product, mode of operation, process and management are encouraged with a continuous change as an essential element because it is a carrier of opportunities. Entrepreneurial culture is an effective strategic tool adopted to strengthen the SMEs roles to improve firms' performance (Foss & Lyngsie, 2011). The duo further explained that entrepreneurial culture and entrepreneurial orientation are closely related with other organizational-level indices which incorporates the discovery of opportunities and wealth maximization for the firm.
Organisational culture is a pattern of shared value and belief that employee is expected to exhibit in the course of carrying out activities within the organization. Schein (1992) defined organizational culture as values that are common in people, norms and believe system that affect the way people work in organization, think, feel, and act and how work is done in the workplace. It explains the way or manner in which employee’s behave toward tasks and how they interact with each other within an organization. Dess and Picken (1999) posited that organizational culture is a system where employees shared values and beliefs that shape the structural pattern of the organisation to produce behavioral norms in the organization. It is an element of the organization that shape the structural formation of the firm and the behaviour of the individuals in an organization.

Conceptually, culture is made up of six properties as follows: sharing the basic norms; that are developed, discovered or established by a group; studies to deal with its problems of internal modification and external incorporation in ways that; have operated sufficiently to be considered legal and consequently; new members can be trained within the group as; accurate way to identify, reason, and sample these problems. (Weick & Sutcliffe, 2001). Therefore, the organizational culture influences its individuals' assumptions for one another and stakeholder’s expectation outside the organization’s limit which includes their clients and suppliers.

Johnson (2002) thought that culture influences the insightful structure that influences how individuals from the firm see issues inside the organisation and how they see their firm's serious environment. An effective entrepreneurial culture embraces different assumptions and encourages firms' endeavors to cope with assets tactically. A practical entrepreneurial experience is one that possess powerful innovative culture and fuses groundbreaking thoughts as well as inventiveness. Moreover, as literature is advanced, process, products and managerial developments are supported, and ceaseless transformation is witnessed as a carrier of opportunities. Accordingly, an entrepreneur culture encourages and upholds the persistent quest for inventive opportunities that can take advantage of continuous upper hand of competition in the market. An organization with well-defined entrepreneurial culture is one that its leaders employ an entrepreneurial mindset in carrying out the functions of the firm.

The government of Cross River State have not exploited and supported this important sector, that is, SMEs to grow, though it remains a key contributor to employment and Gross Domestic Product (GDP) growth rate in Nigeria. However, the challenges faced may result from seeming competitive strategy that is not effective which is having an adverse effect on performance in respect of returns on non-current assets, customer base and sales growth.
For SMEs to anticipate new problems and challenges, responding to them effectively and at least to some degree charting their own path toward the future, they need to think outside the box and act strategically. This is why this research is carried out and to further examine if there is any relationship between entrepreneurship orientation and entrepreneurship culture with the performance of small and medium firms in Calabar Metropolis. The paper is organized into five sections. The first part is the introduction, while the second part is the theoretical framework and review of literature; research methodology. The fourth section is on discussion of findings while the last part deals with summary and conclusions.

Statement of the Problem

SMEs are very relevant to monetary, fiscal and industrial growth, stability in a developing country or state. In Nigeria, particularly Cross River State, SMEs have not been able to contribute fully to the economy as other countries do due to entrepreneurial deficiencies. Entrepreneurial orientation encounters more problems than is usually cherished. However, underlying attributes, behaviours, processes and the nature of entrepreneurs that lead to new establishments, which is embedded in the traditional socio-cultural system, can seriously hinder development of the entrepreneurial features necessary for better output of Nigerian Small Medium Enterprises (SMEs) Many firms in Cross River face increasing pressure ranging from lack of strategy and inability to launch into corporate venture, competition, difficulty in maintaining and improving business performance. Majority of these entrepreneurs fear to incorporate new ideas and creativity, they also avoid taking risks by not trying out new products and services and are less proactive than its competitors when seeking out new marketplace opportunities, thereby hindering growth and performance.

It is pertinent to note that understanding the entrepreneurship orientation and entrepreneurship culture on performance of SMEs in Cross River State and Nigeria at large is critical for providing solutions as to how entrepreneurs can exploit and explore the business environment and remain competitive. This work contributes to the body of literature by evolving to an extend the strategic entrepreneurship concept and strives to x-ray the interconnection between orientation and entrepreneurial culture with regards to the performance of SMEs.

Objectives of the Study

The specific objectives of the research were to:

i. Examine the relationship between entrepreneurship orientation and the growth of Small and Medium-Scale Enterprises (SMEs) in Calabar Metropolis.
ii. Ascertain the relationship between entrepreneurial culture and the profitability of Small and Medium-Scale Enterprises (SMEs) in Calabar Metropolis.

**Research Questions**

Extracted from the stated objectives are the following questions formulated for the study:

i. To what extent does entrepreneurial orientation relate with growth of Small and Medium-Scale Enterprises in Calabar Metropolis?

ii. To what extent does entrepreneurial culture relate with profitability of Small and Medium-Scale Enterprises in Calabar Metropolis?

**Research Hypotheses**

For the purpose of achieving the above stated objectives, the following hypotheses were stated.

i. Entrepreneurship orientation has no significant relationship with the growth of SMEs in Calabar Metropolis.

ii. Entrepreneurial culture has no significant relationship with profitability of SMEs in Calabar Metropolis.

**Theoretical Framework**

The theoretical base upon which this study is anchored principally is the consequently, the ideology behind the theory submits that competitive advantage can only be achieved by the effective and efficient deployment of all resources available to an organization or a company (Resource-based theory of Wernerfelt (1984). Resource-based theory of the organisation was proposed by Wernerfelt (1984). The theory advocates that human capital administration in an organization can be of immersed contribution to the sustenance of competitive advantage over competitors by creating knowledge awareness, abilities and culture within the firm that cannot be copied (Mata, Fuerst, & Barney, 1995; Afiouni, 2007). Put it differently, by knowledge awareness, abilities and a culture that individuals feel excited to participate in, and a sustainable competitive upper hand can be achieved. To build a human assets with diversity and passivity of resources, a firm must evolve an appropriate human resource administrative practices, procedures, information management systems and practices, informal and formal learning avenues and social communication practices must be in place (Afiouni, 2007; Barney, 1991; Mata, Fuerst & Barney 1995). Mahoney, 2001). The resource based view is consistent with the major area of coverage of strategic
entrepreneurship which are conception of value in the marketplace through opportunity assessment and utilization, and sustainable competitive benefit. Therefore, it provides a useful additional framework for focusing on the development of the necessary capabilities and resources.

**Review of Empirical Literature**

This section focuses on examining past and current works of scholars on strategic entrepreneurship orientation and culture on performance of SMEs. Strategic entrepreneurship emerged in 2000 and so far, some of the summarized empirical studies, listed below, have been conducted in the strategic entrepreneurship field. Therefore, it seems necessary that wide and in-depth research on this area is indispensable. Many of these studies sought to explain the affinity between strategic entrepreneurship or strategic management and SMEs. Rigtering, Hughes and Hosman, 2012 for instance used the survey method in gathering data from 164 Dutch SMEs firms in Netherlands and result showed that extremely enthusiastic firm behaviour contributes significantly to the performance of SMEs in periods of economic challenges. Furthermore, the result showed that SMEs that are innovative in nature show better achievements in competitive and economic climates, but should reduce the risk limits and take necessary steps to evade risky ventures and transactions. Another research in Malaysia undertaken by Aziz, Mahmood, Tajudin and Abudullah (2014) explored the correlation that exist between SMEs business achievements and entrepreneurial orientation. Secondary data were used and supported with administration of questionnaires as well as interviewers and calls. The concepts used in the questionnaires administered were entrepreneurial orientation, business performance and the demographic. Aziz et. al (2014), concluded an existence of positive correlation between SMEs performance and entrepreneurial orientation in Malaysia.

Georgios and Dimitrios (2015) x-rayed the entrepreneurship performance relationship in Greek SMEs. The authors incorporated four sectors of the economy in the study using random sampling methods on 333 Greek firms. The structural equation modelling technique and multiple linear regression technique were used in the study. The study concluded that there is relationship between entrepreneurial management, orientation and environmental factors to financial resources and organization’s achievements. Kabuoh, Ogbaru, Chieze, and Adeoye (2017) examined entrepreneurial culture and performance of SMEs in Nigeria. The study was carried out to deduce an explanation behind performance of SMEs below expectation not withstanding effort of government, and the effect of entrepreneurial culture in various government programs to encourage SMEs. It was found that there was great
impact between entrepreneurial culture and performance of SMEs in Lagos State. It was recommended that SMEs should integrate creativity and entrepreneurial that will facilitate increased achievements and consistent economic development and growth of Nigeria in reducing African dependency.

**Methodology**

The research adopted a survey research design where information and data collected from the field was statistically analyzed with tables and other statistical tools. Survey design was appropriate since it allows for the use of survey tool such as questionnaire in data collection. The researched population comprised all small and medium scale enterprises (SMEs) in Calabar Metropolis registered with SMEs Development Agency.

Therefore, the study population was the total registered SMEs in Calabar Metropolis which was 1,294 as at 2013. The population 1,294 will be used for this study because supermarket/stores, hotels and eateries fall under hospitality/tourism. An aggregation of both owners and managers of each of the SMEs registered in Calabar SMEDA. The Taro Yamane formula was applied to the population of this study to determine the sample element that will participate in this study. Since the finite population is known, the formula is used as follows:

\[ n = \frac{N}{1 + N(e)^2} \]

Therefore:

\[ n =? \]
\[ N = 1294 \]
\[ e = 0.05 \]
\[ 1 = \text{constant} \]

Thus:

\[ n = \frac{1294}{1 + 1294(0.05)^2} = \frac{1294}{1 + 1294(0.0025)} = 400 \]

Based on the computation above the sample size that best represent the population used for the study was 400 respondents.
This research work used purposive method of sampling, which is a non-probability sampling method. In non-probability sampling, the elements do not have equal chance of being selected. The basic reason behind purposive sampling is that with good judgment and an appropriate strategy you can use your hand to pick the cases to be incorporated in the sample study. Purposive sampling technique was used because the population of the study cut across Calabar Metropolis. Hotels, supermarkets/stores and eateries are many we purposively included in the sample the ones that make the research work achieve maximum result.

Reliability Test

Twenty (20) copies of the questionnaire were administered to (twenty) 20 entrepreneurs in Calabar in order to prove the reliability test of the instrument. The results so obtained yielded Cronbach’s Reliability Alpha of 0.72 and above for each of the variables inferring that the instrument had a strong internal reliability. This was obtained using the Cronbach Alpha Reliability Co-efficient which is computed using the formula below: (Churchill, 1991).

\[ \alpha = \left(\frac{K}{K-1}\right) \left(1 - \frac{\sum_{i=1}^{K} \sigma_i^2}{\sigma_t^2}\right) \]

Below is the representation of the Cronbach Alpha Reliability Co-efficient derived for variables used in the reliability test.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Entrep orient</th>
<th>Entrep culture</th>
<th>Growth of Smes</th>
<th>Profitability of Smes</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \alpha )</td>
<td>0.82</td>
<td>0.72</td>
<td>0.81</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Source: Cronbach Alpha Reliability Co-efficient.

Discussion of Findings

Consequent upon the analyses, the following discoveries were made. In the test of hypothesis one, it was revealed that f-statistic was 2279.893 far greater than the tabulated value of f-statistic of 3.84 at \( P < 0.05 \) significant level. Also, as confirmation, the calculated t-statistics of 16.650 was greater than the critical value of 1.64. It can be concluded from the above that orientation has significant influence on SMEs’ growth in Calabar, hence we reject the null. This implies that entrepreneurship orientation does have significant effect on growth of SMEs in Calabar Metropolis. The study established that there was a positive connection between entrepreneurial orientation and growth of SMEs in Calabar Metropolis. The finding revealed that entrepreneurial orientation impact on business output of SMEs when the abilities associated with an entrepreneur such as: propensity to manage
uncertainty; innovation to meet emerging opportunities and threats; tendency to anticipate the direction of forces of the markets and risk-tolerant behaviour, are imbibed in an organisation. This study was supported by Rigtering, Hughes & Hosman (2012) who posited that aggressive firm behaviour positively contributes to SME performance in a situation where there is economic recession or crises. Also, Aziz, Mahood, Tajudin and Abdullah (2014) stated that there was a significant positive relationship between entrepreneurial orientation and business performance of SMEs in Malaysia. Also supported was the study of Georgios & Dimitrios (2015) who posited that there was a relationship between variables used in the study Orientation (EO), Management (EM), and Components (EF) to financial resources and firm’s achievement. The results showed a positive influence of EO on firms achievements, as EO is connected with EM and had a direct impact on EM and firm performance.

In hypothesis two, it was revealed that f-statistic was 1690.639 far greater than the tabulated value of f-statistic of 3.84 at P < 0.05 significant level. Also, as confirmation, the calculated t-statistics of -2.572 exceeded the critical value of 1.64 negatively, therefore the null. This implies that entrepreneurship culture has significant effect on profitability of SMEs in Calabar Metropolis. The study confirmed that there was a negative relationship between entrepreneurial culture and profitability of SMEs in Calabar Metropolis. The empirical finding revealed that if entrepreneurial culture is maximally instituted: which involves creation of new ideas, taking risks, learning, product innovation and continuous change of process and management is accepted, the contribution of SMEs to economic growth, employment generation and poverty alleviation shall be enhanced. The finding is in tandem with the study carried out by Foss and Lyngsie (2011) who posited that entrepreneurial culture is a combination of new ideas and creativity, risk taking is part of business challenge, failure is accepted, learning is embraced, innovation about products, mode of operation, process and management are integral part of continuous adaptability as the carrier of opportunities. The findings were in collaboration with the study of Kabuoh, Ogbuanu, Chieze, and Adeoye (2017) who supported and posited a strong relationship between entrepreneurial culture and performance of SMEs in Lagos State- Nigeria.

Summary of Findings

The study focused on entrepreneurship orientation, entrepreneurship culture and performance of small and medium scale enterprises in Calabar urban city. Basically, this study was carried out on small and medium scale enterprises located within Calabar city. Two major variables of strategic entrepreneurship practices were employed, namely: entrepreneurial orientation and entrepreneurial culture. The findings showed that there was
a positive correlation between entrepreneurial orientation and growth of SMEs in Calabar Metropolis. That is, a firm that is entrepreneurially driven dives into new or existing markets with novelties or innovations that are either based on fresh or existing products or services and thereby increase the growth of the business. Also, the study found out that entrepreneurial culture has a negative effect on profitability of SMEs in Calabar Metropolis. This implies that entrepreneurial culture is negatively related with profitability of the firms all things being equal. That is a unit decrease in entrepreneurial culture of firms will facilitate a unit increase in profitability of these organizations ceteris paribus. This is not in tandem with Resource Base Theory. However, entrepreneurial culture needs more attention by SMEs for more productivity within the economy.

Conclusion

In this study, the multiple linear regression model was employed to explore the effect of entrepreneurship orientation, entrepreneurship culture and performance of SMEs in Calabar Metropolis and the various entrepreneurial strategies that could improve performance of small and medium scale enterprises in an organization. That strategic entrepreneurship is pertinent when employed where there are uncertainties and increasing changes in an environment, therefore, incorporating effective strategic actions with entrepreneurial actions would place the organization in a competitive advantage. The study therefore concluded that entrepreneurial orientation had significant effect on performance of SMEs in Calabar Metropolis. That entrepreneurial culture which incorporates the firm’s motivation and ability to involve in unmasking of opportunities and exploitation has a negative effect on the performance of SMEs in Calabar Metropolis.

Recommendations

Based on the findings, the following recommendations were advanced: Managers should continuously incorporate new decision-making styles, processes and behaviour that will put the organization into an advantageous position into entering into new or established markets with new or existing products. Managers should set an atmosphere where entrepreneurial culture can be strengthened through development of new ideas, taking of risk in order to increase profitability there by contribute to the economic growth of Nigeria.

References


