MODERATING EFFECT OF GOVERNMENT SUPPORTS POLICY ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND SMES PERFORMANCE IN NIGERIA: A FRAMEWORK

Maryam Imam Ibrahim*1, Ooi Yeng Keat1, Shamsul Huda Binti Abdul-Rani1

1Universiti Utara Malaysia, Malaysia.

ABSTRACT
This study discusses a proposed framework for the moderating effect of government support policy on the relationship between Entrepreneurial Orientation (EO) and SMEs performance in Nigeria, the aim is to explore the extent to which government can influence the relationship. The majority of previous research conducted on SMEs performance focused on the advanced economy and their findings may not be applicable in the context of an emerging economy like Nigeria. However, the few studies that were carried out in emerging economy did not give much emphasis on the role of government support policy as a moderating variable on the relationship between EO and SMEs performance. Additionally, much of the past studies on this constructs produced inconsistent results. In an attempt to bridge this paucity, this study proposed the moderating effect of government support policy to determine its influence on the relationship between EO and SMEs performance. This study will add towards extending the borderline of existing knowledge in the areas of EO, SMEs, and government support policy, particularly from emerging economy. The policy implication of this study is to provide support for practitioners, especially, government agencies and decision-makers in the area of SMEs development in Nigeria. SME owner-managers will also find this work as a valuable reference point.

Keywords: Entrepreneurial Orientation, SMEs, Government Support policy, Performance, Nigeria.

1. INTRODUCTION
Small and medium enterprises have been recognised globally as an engine of growth and development (Eneh, 2010; Ogechukwu, 2011). Prior literature acknowledged that not the large firms that are fuelling leading economies around the world but small and medium firms. SMEs have gained increasing attention and have made a valuable contribution to a nation’s economy, especially in the areas of employment opportunities, poverty reduction, income generation, providing support for large industries, innovation, promotion of entrepreneurship and rapid industrialisation (Fashoyin, 2012; Kale, 2012; NBS, 2012).

In addition, SMEs are perceived to have provided important economic advantages specifically in the areas of regional income generation, savings, and raw material supply, enhance export earnings and boost capacity utilisation within the key industries and actualising women and youths potentials (SMEDAN, 2012). Above all, SMEs are contributing immensely in the areas of the business establishment and gross domestic product (GDP) transversely (Bouri et al., 2011).
In Nigeria, SMEs play a significant and important roles towards the development of the country’s economy (Eneh, 2010; Oboreh, Francis, & Ogechukwu, 2013; Ogechukwu, 2011). The sectors’ performance is significantly linked to the strengthening and enhancement of the development of business venture and job creation, hence providing gainful employment for over 90% of the Nigerian population (Eneh, 2010; Sanusi, 2003). In spite of the exploitation of petroleum products and numerous challenges faced by SMEs, the sector has developed rapidly. In attaining peak economic development, and to decrease dependency on crude oil for redistribution of economic wealth, the current administration seeks rescue from the SME sector by employing economic diversification, especially in the agro-based and mining sectors to thrive and promote the growth of the economy (Osinbajo, 2015a; Wakili, 2016). Most of the operators in the agricultural and mining sectors are small-scale self-employed individuals engaged in agro-allied and mining processing activities such as farming, handicraft, fishing, agroforestry, and livestock rearing (NBS & SMEDAN, 2013).

Despite its numerous contributions towards societal as well as economic development, SMEs in Nigeria were seriously under-served, hence resulting to non-performance in the sector. NBS and SMEDAN (2013) highlights some of the major constraints militating the growth of the sectors’ performance as; (i) access to finance, (ii) weak infrastructure, (iii) inconsistency in government policies, (iv) access to market, (v) multiple taxation, and (vi) obsolete technology among others. As a result of the recognition of SMEs by regional governments and development experts as one of the main source of economic growth and a significant factor in promoting national economic development, that inspired the interest of many researchers (Bouri et al., 2011; Kadiri, 2012; Somoye, 2013). Thus, SMEs are not only contributing significantly towards improving the standard of living, job creation, and poverty alleviation but also, brings about substantial domestic or local capital formation and achievement of high levels of productivity and capability (Fashoyin, 2012; Kale, 2012; Ogechukwu, 2011). Notwithstanding the importance of SMEs to the Nigerian economy, most of the previous studies were conducted in the advanced country with conflicting findings (see, Alegre & Chiva, 2013; Chen, Jaw, & Wu, 2016; Deshpande, Grinstein, Snow, & Elie, 2013). Conversely, there are a number of studies on SMEs performance in an emerging market that investigated the role of EO towards SMEs performance (for instance, Al-Dhaafri, Al-Swid, & Yusoff, 2016; Matchaba-hove, Farrington, & Sharp, 2015; Semrau, Ambos, & Kraus, 2016). Equally, studies on EO application towards SMEs performance in Nigeria is limited as compared to developed and other emerging economies. Furthermore, studies have shown that very few SMEs undertake entrepreneurially orientated activities. (Aminu & Sheriff; Shehu, Aminu & Kama, 2013). Furthermore, the findings of these studies were inconsistent, (Al-Dhaafri et al., 2016; Ibrahim & Mas’ud, 2016; Kantur, 2016) found a positive relationship while (Hartsfield, Johansen, & Knight, 2008; Kreiser et al., 2013) suggested a negative relationship.

A number of previous studies (see, Eniola & Entebang, 2015; Hadiyati, 2015; Shariff, Peou, & Ali, 2010; Tende, 2014) have looked into the role of government support policy on SMEs performance. For example, Eniola and Entebang (2015) found government support policy as having asignificant impact on the competitiveness of SMEs. Equally, Hadiyati (2015)suggested government support policy on SMEs for efficient performance, and (Shariff
confirmed government policy as having an important role as a full moderator on SMEs performance.

2. REVIEW

2.1 An Overview of SMEs in Nigeria

Nigeria, an African country on the Gulf of Guinea with diverse religious, cultural and ethnicity is reported to be the largest blackpopulous nation in the world. According to NPC (2007), the estimated population of Nigeria stands at over 170 million which is divided into over 250 multi-ethnic and cultural groups. The Nigerian government depended on oil revenue for over four decades, neglecting other sectors of the economy (Osinbajo, 2015b; Wakili, 2016). OPEC (2014) placed Nigeria as the 8th largest producer of crude oil in the world. The country has 36 states that are further divided into six (6) geo-political zones of northeast, northwest, north central, south east, south west and south-south, with the Federal Capital Territory as the seat of the national government. The climate varies across all regions in the country; equatorial in south, tropical in central and arid in north (Nwachukwu, 2016).

Nigerian business organisations are classified into four (4) scales; these are the micro/cottage industry, small scale industry, medium scale industry and large-scale industry. However, this study covers only the small and medium scale enterprises. From the report of NBS & SMEDAN (2013), there are approximately 72,838 registered SMEs in Nigeria. However, the SMEs sector has been neglected by the government for an extended period due to over-dependence on oil as a primary source of government revenue. This resulted in the poor performance of the SMEs, and very few of them survive in the very competitive business environment, this is a serious issue of concern to all stakeholders (Osinbajo, 2015a). The current administration reiterates its commitment to revive the sector and make it viable economy. Therefore, given this commitment, the provision of EO will improve the performance of the SMEs sector in Nigeria.

There is no clear cut definition of SME in the literature. The concept varies over time and from organization to organization (World Bank, 2013). Different organizations or institutions in Nigeria have at different times, defined SME in various ways, but the definitions have standard measures, fixed assets, gross output, and the number of employees. Hence, SMEs are defined based on the number of employees and total assets in Nigerian Naira (NGN), excluding land and building (NBS & SMEDAN, 2013; Oboreh et al., 2013; Ogechukwu, 2011).

Consequently, SMEs gained a tremendous attention globally as the sector played a very vital role in the societal as well as economic growth and development across the globe (Nwoye, Obiorah, & Ekesiobi, 2015). Conclusively, the importance of SMEs can never be over emphasised as SMEs contribute immensely to the economy in the areas of innovation, regional development and social cohesion, which in turn contribute to the GDP and employment opportunities (Bouri et al., 2011). Based on the preceding, this study seeks to examine the role of government support in the relationship between entrepreneurial orientation and SMEs performance.

2.2 SMEs Performance

The concept performance is a subject open to wide variation as it is a somewhat open-ended word when it is placed to play a role as a placeholder in research (Sorooshian, Aziz,
The lack of consensus on the meaning generates misperception and obviously limits the potential for overview and comparability of studies in the area (Sorooshian et al., 2016). For instance, firm performance, performance measurement, performance assessment, or performance evaluation are used interchangeably. Dictionary of management sciences defines performance as the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (Al-Dhaafri et al., 2016; Sorooshian et al., 2016).

Hussain, Ismail, and Shah (2015) asserted that SME performance could be measured by using different criteria or indicators such as financial and non-financial measures. Financially it can be measured by looking at return on investment, profitability, return on assets, market share and sales growth among others while non-financial will look at competitiveness, employee satisfaction, customer satisfaction, service quality and innovation among others. Furthermore, SMEs’ performance can be viewed as how the firm delivers value to its stakeholders and customers, which indicates how well the management manages the firm’s resources (Penrose, 1959). SME is said to be performing when it achieved its overall objectives with the effective and efficient utilization of its resources (Aminu & Mahmood, 2016; Sorooshian et al., 2016).

Several studies on SMEs performance have used a number of resources to investigate the factors influencing SMEs’ performance. For example, Aminu and Sheriff (2014) found that the performance of an entrepreneurial venture is influenced by the entrepreneur’s access to finance, markets, and information. Similarly, Al-Dhaafri et al. (2016) mediated the effect of total quality management and EO to study organisational performance. Based on the above concepts and definitions, performance can be seen as the outcome of a company’s resource commitment alongside its key performance indicators and the attainment of its intended objectives (Aminu & Mahmood, 2016; Chen et al., 2016).

2.3 Entrepreneurial Orientation

Entrepreneurial orientation (EO) refers to a strategic orientation of an organization, seizing specific entrepreneurial aspects of decision-making styles, methods, and practices (Lumpkin & Dess, 1996). As such, it reflects how a business operates rather than what it does. Miller (1983) reiterates that the features of an entrepreneurial firm as the one that involves in product market innovation, undertakes somewhat risky ventures, and a pioneer in a “proactive” innovations, always ahead of its competitors. Thus, EO, as conceptualised by Miller (1983), comprises three dimensions of innovativeness, proactiveness and risk-taking which can create rapidly growing enterprises. It is this conception that (Lumpkin & Dess, 1996) develop into a larger construct through the inclusion of autonomy and competitive aggressiveness (Ibrahim & Mas’ud, 2016; Kantur, 2016).

Similarly, Lan and Wu (2010) connoted EO as the readiness to engross in a more innovative, risky as well as uncertain activities in the marketplace, accurately ascertain new opportunities before their opponents. EO is an important path to competitive advantage and improved performance for all types of businesses (Lotz & Merwe, 2013). The success of small businesses depends in large part on how they were entrepreneurially orientated. However, studies have shown that very few small businesses undertake entrepreneurially orientated activities (Fairoz, Hirobumi, & Tanaka, 2010). Equally significant is the speed by which new businesses are created and sustained. Firms need to be innovative to satisfy potential
customer needs, engage in new exploration, support new ideas, experiment and stimulate creativity. These are efforts that may result in a new product development, hence promoting small business performance and sustainability (Li, Liu, & Zhao, 2006; Polat & Mutlu, 2012).

2.4 Entrepreneurial orientation and SME performance

Scholarly research in EO initiated significantly in the early 1980s, and studies continually found its serious effect on organizations performance (Fatoki, 2012; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Additionally, the disparity in EO dimensions posture a discuss among researchers in the field of management. Some scholars treated EO dimensions as one-dimensional, others proposed each as multidimensional (Kreiser, Marino, & Weaver, 2002; Lyon, Lumpkin, & Dess, 2000). The three original dimensions conceptualized by Miller (1983) were measured on the level of innovativeness, proactiveness and risk-taking together with the autonomy and competitive aggressiveness which was proposed by Lumpkin and Dess (1996). Each of the EO dimension affects business performance in a different way (Kreiser et al., 2002; Lechner & Gudmundsson, 2012; Lumpkin & Dess, 2001). A level of high innovation shows a greater positive relationship with sales growth, while pro-activeness has a positive relationship with sales level, sales growth and return on investment (Kreiser & Davis, 2012; Lechner & Gudmundsson, 2012; Naranjo-Valencia, Jimenez-Jimenez, & Sanz-Valle, 2016).

In some instances, proactiveness and competitive aggressiveness are contrarily correlated to performance in different circumstances (Kreiser et al., 2002; Lechner & Gudmundsson, 2012). Innovation and proactive actions were found to be acute in determining performance or success (Kreiser & Davis, 2012; Lechner & Gudmundsson, 2012; Matchaba-hove et al., 2015). On the other hand, risk-taking produced an inverted “U-shaped” curvilinear relationship with sales growth (Gurbuz & Aykol, 2009; Madhoushi et al., 2011; Naldi et al., 2007). Similarly, it was indicated that enterprises with high entrepreneurial orientation surface their counterparts in term of performance (Kreiser et al., 2013). Herath and Mahmood (2014) resolved that the relationship between EO and performance is relatively high and that companies benefit more from EO. Others in their opinion proposed and documented a positive relationship between EO and performance (Al-Dhaafri et al., 2016; Ibrahim & Mas’ud, 2016; Kantur, 2016), though they have not indorsed if the relationship occurs substantially. In some instances, the moderating effect of conformational approach explained the contradictory empirical outcomes on the relationship between EO and business performance (Fairoz et al., 2010; Idar & Mahmood, 2011; Zhang & Zhang, 2012). Kreiser et al. (2013) carried out an excellent study that finds an inverted U-shaped relationship between EO and performance of business. They advocated differing effects that the relationship between the two concepts might not be linear. Moreover, additional studies point to the non-existence of significant impact of EO on performance (Stam & Elfring, 2008). Some researchers have also suggested a negative correlation amongst the two axes (Hartsfield et al., 2008; Kreiser et al., 2013).

2.5 Government support

The government support policies for SMEs vary from country to country and from advanced nations to developing countries due mainly to the level of industrialization, cultural
differences and business context (Eniola & Entebang, 2015; Quy, 2016). Governments of most countries, especially developing nations have invested so many efforts and resources in establishing policies geared toward improving entrepreneurship and SMEs (Oni & Daniya, 2012; Quy, 2016; Shariff et al., 2010). Cases in point are Brazil, China, Malaysia, Nigeria, and Saudi Arabia (World Bank, 2014). However, previous studies indicated that overall government supports for SMEs are not impressive in Sub-Saharan Africa (Nigeria inclusive), in cases where such programs exist, they are under-utilised (Fatoki, 2012; Fatoki, Kasseeah & Thoplan, 2012; Olawale & Garwe, 2010).

In Nigeria, various succeeding administrations at different times have geared their efforts towards the development of SMEs. Several policy measures and financial assistance instruments were introduced (Egena, Wombo, Theresa, & Bridget, 2014; Eniola & Entebang, 2015; Eze et al., 2016; Tende, 2014). The government over the years demonstrated its commitment to support the development of SMEs through various initiatives including monetary, fiscal and industrial policy measures (Egena et al., 2014; Eze et al., 2016). However, such government incentive initiatives were not yielding the desired result due to overbearing bureaucratic procedures, corruption, insufficient and ineffectual infrastructural amenities and inconsistent government policies as some of the challenges faced by SMEs in Nigeria (Bangudu, 2013; NBS & SMEDAN, 2013).

Nwannekanma (2009) argued that even though Nigerians are described as more business oriented people in the world; the government is not doing enough to encourage them through incentives and support policies. The government should endeavor to provide an enabling environment for private sector led entrepreneurship through the delivery of suitable and functional infrastructural amenities (Aminu & Sheriff 2014; Egena et al., 2014; Tende, 2014). Despite the fact that entrepreneurship can take place in massive investments, the SME segment is affirmed to be an exclusive avenue for entrepreneurial activity in any country (Egena et al., 2014). The SMEs sector does not only boosts the entrepreneurial activity but also generates a huge portion of a nation’s employment, create income, reduce poverty level, source of innovation and hence new products and service development (Aminu, 2015; Eniola & Entebang, 2015; NBS & SMEDAN, 2013; Oboreh et al., 2013). As such, SMEs needs support from the government in the areas of trade promotion, marketing research expansion, and financial policies. Furthermore, institutional support for SMEs should include the five key sectors such as finance, legal corridors, investment and development in technology, information and consultation and market promotional expansion (Quy, 2016; Shariff et al., 2010).

2.6 Government support as a moderator

Despite the fact that this study is significant to the SMEs development in Nigeria, there are, however, limited studies that investigate the moderating effect of government support towards SMEs performance. This present research is different from the previous studies (see Eniola & Entebang, 2015; Eze et al., 2016; Shariff, Peou, & Ali, 2010). For example, Eniola and Entebang(2015) found that government policy has significant impact on the competitiveness of SMEs. Additionally, Eze et al. (2016) revealed that internal factors such as attitudes, habits, and way of thinking as well as external factors. These external factors include culture, government’s lackluster approach to policy enunciation and poor
implementation, access to modern technology and lack of entrepreneurial orientation are seen as some of the factors militating the growth of SMEs. Shariff et al. (2010) in their study of 220 SMEs in Cambodia, found a positive relationship between entrepreneurial values, financing, management, marketing and SMEs performance. They also, confirmed government policy as having an important role as a full moderator in such relationships hence, suggested for further studies on the issues, especially in an emerging economy.

Given the arguments from previous studies, this study intends to examine the moderating effect of government support to strengthen the relationship between EO and SMEs performance in Nigeria. This confirms with the current government’s commitment to overcoming the challenges of SMEs in the country and making the sector a viable economic contributor. Hence adopting government support policy as a potential moderator for this study is justifiable. Additionally, prior studies conducted on SMEs performance had failed to undertake a study titled Moderating effect of government support on the relationship between EO and SMEs’ performance in Nigeria. Hence the present study is expected to fill this gap by adopting government support as a potential moderator.

3. CONCEPTUAL FRAMEWORK

Owing to the inconsistencies found in the previous studies, this work developed a research framework to determine the relationship between EO and SMEs performance in Nigeria. The framework has EO as the independent variable, SMEs performance as the dependent variable where while government support is the moderating variable. The study focuses on SME’s performance which eventually leads to competitive advantage and success of a firm. EO represents the firm’s valuable, rare, inimitable and non-substitutable (VRIN) resource as signified by the resource-based view (RBV) theory. The proposition of the framework is that EO has implications on the performance of SMEs.

In view of the findings from previous researches, this study posited the following hypothesis.

H1. There is a relationship between entrepreneurial orientation and performance of small and medium enterprise in Nigeria.

H2. Government support policy moderates the relationship between entrepreneurial orientation and performance of SMEs in Nigeria.
4. CONCLUSION
Small and medium enterprises have gain considerable attention from scholars owing to the significant contributions the sector provide towards societal as well as economic development and growth of both advanced and emerging countries. Entrepreneurial orientation as one of the strategic positioning of a firm is a significant pathway to the competitive advantage that improves the performance of all types of businesses. The success of small businesses depends in large part on how they were entrepreneurially orientated. It is essential for firms to be innovative to satisfy potential customer needs, engage in new exploration, support new ideas, experiment and stimulate creativity. From the preceding, it can be seen that governments of most countries, especially developing nations have invested so ample efforts and resources in establishing policies geared toward improving entrepreneurship and SMEs performance. However, in Nigeria, the SME sector has been neglected by the government for a long time due to over-dependence on crude oil which resulted in the poor and weak performance of SMEs. The current administration in Nigeria is striving to revive the sector with supportive policy programs in different forms.

This study will add towards extending the borderline of existing knowledge in the areas of EO, SME, and government support, particularly, from emerging economy. This study also fills the literature gap by linking the antecedents of EO to SMEs performance while governmentsupport policy strengthens the relationship.

The policy implication of this study is to provide support for practitioners, especially, government agencies and decision-makers in the area of SME development in Nigeria. SME owner-managers will also find this work as a valuable reference point. Future study should consider the aspect of contemporary marketing about SMEs performance and extent to which government can intervene in the relationship, particularly in an emerging economy.

REFERENCES


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