

Entrepreneurial Orientation and Market Innovativeness among Small and Medium Enterprises in Nigeria

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Abstract

The study investigates entrepreneurial orientation and marketing innovativeness among SMEs in Nigeria with the specific objectives of evaluating the association between risk taking and technological innovativeness; determining the impact of pro-activeness on product innovation. The study was conducted among SMEs in Ijebu-Ode Local Government Area, Ogun State. The study adopted the survey design and the data were analysed using linear and t-test methods of data analyses. Structured questionnaire was employed to collect data from respondents. The primary data generated from the questionnaire were used to verify the formulated hypothesis. A total of 140 questionnaires were administered. Results revealed that there was significant relationship between risk-taking and technological innovations. The implication therefore is that entrepreneurs should ensure they take calculated risk in order to enhance their productivity through innovation and that there was need for them to be proactive in their approach to product development as this could improve their quality and productivity.

Keywords: Entrepreneurial Orientation; Market Innovativeness; Risk Taking, Pro-activeness; SMEs

JEL Classification: L26, O31

1. Introduction

The ability of an organization to develop and play a different game is vital in a turbulent economic environment characterized by changes in a short time. For an organization to develop a new strategy, high level of innovation, calculated risk-taking, proactiveness and learning are required through analysis of changes in customer preferences and the behaviour of their competitors (Gheorghe, 2013). The first two decades of this century have been marked by rapid globalization of markets, rapid technological changes and the assertion of competitiveness that have led to market and orientation of entrepreneurial activities as before (Ricardo, Gonzalo & Maria, 2014). The result is an inevitable incorporation of innovations that is an unavoidable business strategy for businesses. An entity must understand the needs of its customers. It must also take into account the strengths, threats,

weaknesses of opportunities, capabilities and strategies of current and potential competitors to use over the long term (Gheorghe, 2013). This allows organizations to identify new product ideas to meet higher-level needs or to introduce new products and brands before their competitors. The role of small and medium-sized enterprises (SMEs) is increasingly crucial to the growth of local and international markets that drive sustainable growth in trading, productive and service sectors by attracting investment. SMEs also maintain a good economic balance by offering employment opportunities to job seekers in an economy (Thongvanh, Sasiwemon & Meta, 2014).

Innovativeness is the ability of an organization to innovate. It is the introduction of new processes, products or ideas into an organization. This ability to innovate is one of the vital factors that have direct impact on business performance (Mohammad & Norbani, 2009). Through innovativeness, managers find solutions to the problems and challenges of the business that are foundation for the survival and success of the organization's future well-being. In addition, innovativeness is one of the factors for which management exercises considerable control. However, studies of innovative factors in an organization have yielded mixed results. While it is generally accepted that innovation contributes to business performance, relatively little is known about the drivers of innovativeness and how they act through innovativeness to collectively influence performance. Therefore, a revision of the existing research perspectives is not theoretically too late in the context of SMEs. It is also relevant because policy and public funds continue to aim to improve the innovative potential of SMEs, especially in developing countries

The importance of local and international SMEs cannot be over emphasized. Similarly, SMEs play a vital role in Nigeria. These businesses are conducive to economic growth, which results in strong economic development in the country made necessary by development of the manufacturing and commercial sector. SMEs involve investing resources to create employment and income opportunities for the Nigerian people. Thus, SMEs improve standard of living of inhabitants of a country. These improvements are essential for modernization and industrialization of the country (Thongvanh, Sasiwemon & Meta, 2014). In addition, small businesses represent an important source of available knowledge for innovation, which increases value and maximizes the use of natural resources to improve the products manufactured and services developed.

Entrepreneurial orientation is the process and decision-making activities employed by different entrepreneurs that lead to the entry and support of business activities and are the process of developing strategies that provide businesses a basis for decisions and actions relating to entrepreneurial activities (Anne & Karanga, 2014). Anne and Karanga (2014) uphold that entrepreneurial orientation includes three variables namely: innovativeness, risk-taking and pro-activeness. Innovativeness is linked to the organization's desire to search for new ideas and concepts in process, products or services development. Pro-activeness is about organization with a future-oriented functionality that is adapted to the industrial environment in which it is involved. Risk-taking means that an organization is looking for an entrepreneurial opportunity without worrying about the resources it may or may not have (Shihping & Yu-Ling, 2011).

Innovativeness is linked to willingness of an organization to look for new ideas and concepts in process, products or services development. Market innovativeness focuses on learning processes from external sources and is a subset of the overall organizational learning activity. Market innovativeness is linked to changing customer preferences and the actions of their competitors (Gheorghe, 2013). SMEs need to constantly identify opportunities in the market to satisfy their customers. Generating new ideas for products and services through collection and dissemination of market information is the starting point for the development of the innovation process.

Constant changes in new business environment, strong globalization of markets and high level of competitiveness are forcing organizations, especially small and medium-sized enterprises to transform or modify their business strategies to adapt to market needs. In this new perspective, entrepreneurial orientation and market innovativeness are the two most vital variables taken into account today by a growing number of SMEs that are important for strategy development (Ricardo, Gonzalo, & Maria, 2014).

Many studies such as Anne and Karanga (2014); Mohammad and Norbani (2009); Thongvanh, Sasiwemon and Meta (2014); Wijesekara, Kumara and Gunawardana (2014) considered the impact of entrepreneurial orientation on performance, growth and competitive advantage of SMEs. These studies were focused on improving performance of SMEs through proper entrepreneurial orientation thereby neglecting the market innovativeness of SMEs. The present study attempts to fill this gap by considering the effect of entrepreneurial orientation on market innovativeness among the SMEs in Nigeria. Specifically, the objective is to evaluate the association between risk taking and technological innovativeness.

This paper comprises of five sections with the first section forming the introduction. Section two deals with the literature review. Section three deals with the methodology, section four deals with result; Section five deals with discussion and implication for management and last section of the paper lists references used in this paper.

2. Literature Review

2.1 Entrepreneurship Orientation

The concept of entrepreneurship is not a relatively new field in business enterprises. Previous authors used different terms to explain the concept of entrepreneurship (Mohammad, Armanu, Ashmad & Fatchur, 2013). They considered entrepreneurial firms as entrepreneurial organizations. Entrepreneurial firms can acquire a competitive advantage over their competitors by making spectacular innovations and taking business risks. Entrepreneurial firm is one that engages in proactive innovation, risky, product market-driven business, as well as its competitors. In development, previous authors use entrepreneurial concept implementation operations to explain existing levels in an entity (Mohammad, Armanu, Ashmad & Fatchur 2013).

Entrepreneurship is a global phenomenon. It is considered a vital activity for business entity. Authors of entrepreneurship, both in popular press and in research literature, have assessed the importance of entrepreneurship. These literature have established a direct association between entrepreneurship and performance (Mohamad & Norbani, 2009). Most countries

view entrepreneurship as an important sector for influencing economic development. Currently, small and medium-sized enterprises (SMEs) are facing market pressure. Thus, to gain a strong competitive advantage, SMEs have become a larger vessel (Mohamad & Norbani, 2009). SMEs are encouraged to implement a strategic entrepreneurial spirit to recognize threats and seize opportunities to ensure that their businesses continue to ensure sustainability of their future.

Entrepreneur often refers to someone who starts a new business. He takes the risk of starting and developing a productive business (Wijesekara, Kumara & Gunawardana, 2014). Moreover, the terms risk, initiative, novelty, independent creativity and innovator are mainly used in definition of an entrepreneur. Wijesekara, Kumara and Gunawardana (2014) believe that the literature is full of definitions of entrepreneurship that vary along a number of definitions, behaviour, or outcomes. Entrepreneurship used by different authors refers to all small businesses and all new businesses. It is related to novelty in the form of new processes, new markets and new products as wealth creation drivers and to the recognition and development of viable opportunities.

Innovation is the main characteristic of entrepreneurial behaviour. Innovation, creativity or discovery is the success factors that underlie the body of thought and research. The important characteristic of entrepreneurship involves innovativeness of individuals. He sees entrepreneurship as a process of the economy moves ahead and he links entrepreneurship with innovation (Anne & Karanja, 2014). Previous researchers have focused on aspects of innovation in the entrepreneurial function. Innovation refers to the single common theme of all forms of enterprise. Economists have emphasized that economic growth and development depend on entrepreneurship and that economic growth of a society is an entrepreneurial function resulting from its innovations. Therefore, entrepreneurial behaviour is the quest for growth through innovation, whether it is purely managerial or technological (Chemi, 2015).

Entrepreneurship specialists view entrepreneurship as a matter of degree (Joanna, 2015). It is a behaviour that can be examined and analyzed by entrepreneurial orientations. Therefore, organizations with respect to levels of entrepreneurship and entrepreneurial orientation are similar to other business directions, considered to represent the basic underlying philosophy of the company as to the nature and scope of its business activities. Entrepreneurial orientation requires business processes, structures and behaviour that are characterized by innovativeness, pro-activeness and risk-taking. Mohamad and Norbani (2009) list the types of organization-level behaviour with respect to entrepreneurial orientation, that is, management's risk taking, behaviour towards leadership trends, and trend of corporate culture to be competitive in the industry. The third dimension of entrepreneurial orientation has been widely studied and widely accepted. Entrepreneurship involves a set of skills that belong to a company to denote innovative behaviour, courage to take risks and a more proactive attitude towards a new market. The previous literature describes entrepreneurial orientation as an important factor in the performance of SMEs (Galina, Karina & Tatiana, 2015).

Entrepreneurial firms are involved in new market innovations. They take businesses and embark on risky projects. They create proactive innovations in front of their competitors

(AbdulQadir & Nor, 2015). Entrepreneurship has three characteristics: innovation, pro-activeness and risk-taking. These are described as the core of entrepreneurial orientation and are often combined to expand a high-level indication on entrepreneurship at the firm-level (Sulkifli & Rosli, 2013). These characteristics are described in detail below:

2.1.1 Innovativeness

Innovativeness is a trend to generate new ideas, controlled processes and novelty through which organizations abandon their old practices and technologies. This is one of the main factors that affect performance of an organization. It is described as perception that requires constant attention by researchers as well as practitioners, as it specifies the degree of innovativeness that characterizes each new product (Wijesekara et al., 2014). The relationship between innovativeness and innovation has been studied and varies considerably in previous studies. Therefore, innovativeness is different from the success of innovation. Innovativeness is a behavioural construct. Innovativeness requires a considerable effort or learning experience from customers. Therefore, to apply innovation in their processes, organizations need to have sufficient information about their customers (AbdulQadir & Nor, 2015).

2.1.2 Pro-activeness

Pro-activeness is to anticipate the future needs of customers and the market and as well respond to them. It also involves developing a preference over its rivals. As a result, proactive organizations benefit from market opportunities. Pro-activeness is important for entrepreneurial orientation because it has an advanced perspective associated with innovative activity and risk management (Muhammad and al., 2013). Proactive organizations deploy considerable efforts to observe the environment to identify new trends and to continue in competition, which is dynamically linked to the market signal. Pro-activeness generates capabilities that allow organizations to develop special products/new markets before the expectations of their competitors and consumers. This is strongly influenced by the open product market strategy and leader's personality. Pro-activeness shows the willingness of an organization to be in advance of its competitors by a combination of both proactive and offensive; for example, to launch new products/services before their competitors and anticipate the future demand for change.

2.1.3 Risk taking

Risk taking is the propensity to suitable high-risk of resources. This involves devoting resources to projects with unrealistic results. Overall, it is the propensity to get away from the normal path and to take the unknown path. As a result, there are three risk aspects of risk: exploring the unknown without knowing the probability of success, risk of investing important resources in a risky project and, finally, personal risk resulting from a potential adverse for a career if these projects fail. Organizations with an entrepreneurial orientation are characterized primarily by risk taking, such as indebtedness or considerable ownership of resources, in order to achieve high return by taking advantage of market opportunities. Similarly, Thongvanh, Sasiwemon and Meta (2014) presented another factor, namely "competitive aggressiveness and autonomy". These two dimensions go beyond the previous three and provide a description of the field of entrepreneurial orientation. They described competitive aggression as the effort of an organization to overcome its market antagonists

by maintaining a position of confrontation and described autonomy as the organization's ability to independently promote ideas and promising enterprise projects.

2.2 Market Innovativeness

In the first human settlements, the phenomenon of innovation has been created. It has an effect on civilizations and cultures. Recently invented innovative production and method of supply have a significant impact on survival of the social group in a competitive environment. Agricultural and industrial revolution resulted from some innovations with significant and permanent impacts on human life (AbdulQadir & Nor, 2015). Organizations with special capabilities will have competitive advantages over their competitors. As a result, these organizations attain new innovation over their rivals (AbdulQadir & Nor, 2015). There are different types of innovations highlighted in this literature. The classification made by Mehrdad et al., (2011) was the most acceptable technological and administrative innovation. Technological innovation is the new processes, products and services, while administrative innovation is the procedures and policies covered by non-technological innovations. Although innovation is a blank term and may include many aspects, however, this study considers product and process innovation capabilities, such as the dimensions of market innovativeness. The major basis of enterprises long-term competitive advantage is created by technological innovation capability. The ability to easily introduce new products and adopt new methods and production processes over a short period of time has become an urgent competitive instrument for these organizations.

AbdulQadir and Nor (2015) have identified market innovation capabilities through the following dimensions: ability to develop new products that meet the market needs; ability to apply process technologies that are suitable for production of these new products; ability to develop and adopt these new technological products and processes to meet future needs; and ability to react to related technological activities and unattended activities created by competitors.

Apparently, all these dimensions are around the organization's capacity in market innovativeness. Thus, market innovativeness is considered to be one of organization's most important factors in managing competitiveness from the perspective of resource-based view because these capacities can provide other useful, rare, differentiated and invaluable and being transformed simultaneously at a higher level of competition.

2.3 Entrepreneurial Orientation and Market Innovativeness

Most organizations can survive in any environment when their demand for products and goods is certain and there are resources to compete with other organizations. AbdulQadir and Nor (2015) believe that simple business strategies are influenced by owner's personality and attitudes, and show that owner-managers who have confidence in their abilities are more likely to be entrepreneurial. Based on this notion, Mohammad and Norbani (2009) consider market innovativeness as a consequence of entrepreneurial orientation. Empirical evidence has shown that understanding of entrepreneurial orientation as one of the essential resources of an organization has a significant impact on its ability to adapt to environmental changes by proposing different types of innovations. As indicated in the relevant literature, an organization with entrepreneurial orientation must be characterized by risk-taking, pro-

activeness and innovativeness in order to understand market and customer requirements and meet these needs through new innovations.

Joanna (2015) clearly illustrates the relationship between entrepreneurial and market innovation. He argues that the main reason for this relationship is represented by one of the dimensions of entrepreneurial orientation, which are a high grade of innovativeness. It is established that product innovation is closely linked to innovativeness. In addition, research has highlighted the role of other dimensions of entrepreneurial orientation, for example, risk taking can enhance the organization's ability to produce new products and processes. Risk taking encourages the organization to devote the essential resources to attain new innovations. Previous studies have also shown a positive influence on pro-activeness on technological innovation and value creation. As a result, entrepreneurial orientation plays a role in market innovation.

2.4 Theoretical Review

2.4.1 Entrepreneurial Orientation Theory at Individual Level

Callaghan developed this theory in 2009. The theory concerns the individual or the enterprise. At the individual level of entrepreneurship, entrepreneurs' definitions can be linked to the definition given to entrepreneur's Cantillon as a rational decision maker who assumes the risk and manages a business. The entrepreneur is also perceived as an economic actor with an economic development engine. Entrepreneurs are considered as economy revolutionaries whose economic function is the realization of new combinations in which they are active. The theory is for entrepreneurs who need more success. It adds to the Schumpeterian spectrum of entrepreneurial orientation, two dimensions; Learning and Achievement orientations.

The individual theoretical base of entrepreneurship has not been without criticism. For example, the theory criticizes individual entrepreneurship prospects and opposes the theory of need-for-achievement as to the impairment of the theoretical process, leading to what they call "excessive simplification of the subject".

Anne and Karanja (2014) assert that the "trait" approach, that the distinctive characteristics of an individual, including personality characteristics, are linked to entrepreneurial variables, are often studied in a wrong way. However, several studies have demonstrated the need for small business entrepreneurs to develop their entrepreneurial and management skills, as good allocation of these two roles is crucial to the survival of small businesses.

2.4.2 Entrepreneurial Orientation Theory at Firm Level

At the organization level, Callaghan (2009) noted that the main entrepreneurial orientation developed with the psychological claim of distinction between managers and business owners, and regretted that it had been abandoned in a relation almost quasi psychological before individual EO-Success relationships have even been studied. One of the strategies making modes proposed is the entrepreneurial who relies on active search for entrepreneurial opportunities and growth. Other modes include planning: it involves the systematic collection of information for situation analysis, generation of alternatives and selection of appropriate strategies; and adaptive mode that focus on responsive solutions rather than proactive seeking new opportunities. Shihping and Yu-Lin (2011) support the

entrepreneurial mode by referring to entrepreneurial management style as a bold, risky and aggressive approach to decision making, as opposed to a more cautious stability-oriented approach. According to Ricardo et al., (2014), an entrepreneurial firm is an organization that launches product markets innovations, undertakes projects that are somewhat risky and is the first to propose proactive innovations, ahead of its competitors. For their part, Mohammad and Norbani (2009) oppose organizations operating in hostile competitive environments, characterized by a strong rivalry between firms and firms operating in more benign competitive settings, and signalling that they tend to adopt more competitive innovations with greater frequency than the latter. Gheorghe (2013) used the innovativeness, risk-taking and pro-activeness dimensions to characterize and test entrepreneurial orientation, while Chemi (2015) has expanded the number of dimensions to include aggression and competitive autonomy.

3. Methodology

The study is conducted to appraise entrepreneurial orientation and marketing innovativeness among SMEs in Nigeria. Particularly, the study was conducted in five areas of Ijebu-Ode Local Government Area because of the presence of entrepreneurial activities and increase in SMEs' activities in the area. These areas included; new market, Ibadan garage, Lagos garage, Oke-Aje and Oyingbo.

The population of the study comprised of all the SMEs in the five study areas which had a total of two hundred and sixteen (216). Therefore, the study's population comprised of two hundred and sixteen (216) SMEs in the Local Government Area. The study population was finite or definite because it has definite figure and also heterogeneous because it consist of unrelated items such as different businesses, different individuals and business sizes.

The total population of two hundred and sixteen (216) of the study is distributed among five areas in Ijebu-Ode Local Government Area, Ogun State. The population was distributed as follows as contained in table 3.1 below:

Table 3.1: Population distribution of entrepreneurs in five (5) areas of Ijebu-Ode Local Government Area

Areas	Population
New Market	38
Ibadan Garage	51
Lagos Garage	49
Oke-Aje	47
Oyingbo	31
Total	216

Source: Researcher's Field Survey, 2019.

The study sample includes 140 SMEs. This was obtained using the Saunder (2007)'s non-proportional systematic sampling technique formula. Thus, the study adopted a survey research design. The design was adopted because of its appropriateness in describing the current situation of a phenomenon. It is also gives factual information.

The type of data that was used in this study was primary. They included questionnaire and personal observation. Primary data allows direct gathering of information from the

respondents. The main instrument that was used was questionnaire. The questionnaire was given a critical look for correction in order to ascertain the validity of the instrument. In order to test the reliability of the questionnaire; it was subjected to the Pearson Moment Correlation Coefficient analysis.

For this study, the analytical techniques employed in analysing the data collected, using the Statistical Package for Social Sciences (SPSS 21.0), were the Simple Percentage Analysis, the Product Moment Correlation Coefficient and the Regression Analysis (ANOVA). The descriptive statistics of the data is shown

Table 3.2: Descriptive Statistics of the Data

Gender	<i>Male</i>	<i>Female</i>			
	63.8 %	36.2%			
Age of Respondents	<i>Below 25 years</i>	<i>26-35 years</i>	<i>36-45 years</i>	<i>46 years & above</i>	
	9.4%	30.7%	25.2%	34.7%	
Marital Status	<i>Single</i>	<i>Married</i>			
	22.8%	77.2%			
Education	<i>O'Level</i>	<i>NCE/OND</i>	<i>HND/BSC</i>		
	19.7%	44.1%	36.2%		
Position	<i>CEO</i>	<i>Top Manager</i>	<i>Middle Manager</i>	<i>Staff</i>	<i>Others</i>
	0.5%	15.8%	35.7%	47.5%	0.5%
Working Experience	<i>1-5 years</i>	<i>6-10 years</i>	<i>11-15 years</i>	<i>Above 16 years</i>	
	18.1%	44.9%	25.2%	11.8%	

Source: Field Survey (2019)

Table 3.2 shows that 63.8% of the respondents were males, while 36.2% were females. This implies that more than average percent of the respondents were males. Also, it is discovered that 9.4% of the respondents were below the ages of 25 years; 30.7% of the respondents fall within the ages 26-35 years, 25.2% of the respondent were within 36-45% while age 46 and above contained 34.7% of the respondents. In addition, marital status indicated that 22.8% of the respondents are single and 77.2% of the respondents are married. Moreover, it identified that educational background indicated that 19.7% of the respondents are O'level holders, 44.1% have an NCE/OND while 36.2% of the respondents are HND/BSC holder. Furthermore, it identified that 0.5% of the respondents are CEO, 15.8% of the respondent are top manager, 35.7% of the respondent are middle manager, and 47.5% of the respondent are staff while 0.5% of the respondents. Lastly, it specified that 18.1% of the respondents have a working experience between 1-5 years, 44.9% of them have a working experience of between 6-10years, 25.2% of the respondents have 11-15 years working experience, while 11.8% of them have a working experience above 16 years.

4. Results

4.1 Hypothesis Testing

H_0 : There is no significant relationship between risk-taking and technological innovation

This hypothesis was analysed using linear regression conducted through Econometric method of data analysis (E-View) version 7 and the result obtained was summarized in table 4.1 below:

Table 4.1: Model Summary

Dependent Variable: TECHINNO			
Variables	Coefficient	t-test	Sig.
Constant	13.501	4.901	0.001
RISKTA	21.431	5.068	0.005
R-Square = 0.812			
Adj R ² = 0.671			
F-Stat. = 8.903			
Durbin Watson = 1.873			

Source: Author's Computations.

4.2 Empirical Analysis

TECHINNO = f (RISKTA).....1

TECHINNO = $\alpha_0 + \alpha_1$ RISKTA + μ_i2

So, EPS = 13.501 + 21.431 RISKTA

Durbin Watson = 1.873

F-Statistics = 8.903

4.3 Interpretation of Result

The estimated result for the specified linear regression model in the above table captures the relationship between risk-taking and technological innovation. The fixed effect method was employed for the results, where risk taking (RISKTA) was regressed on technological innovation (TECHINNO).

The summary of result as contained in table 4.2 above indicates that risk-taking (RISKTA) has a positive relationship with technological innovation (TECHINNO) among the selected entrepreneurs in Nigeria during the review period. Thus, this signs conform to the a-priori expectations. In terms of magnitude, the table revealed that 1% increase in risk-taking (RISKTA) enhances technological innovation of the SMEs by 21% coefficient.

In assessing the partial significance of the estimated parameters for the incorporated explanatory variable, the t-statistics results are presented in table 4.11. The result shows that the parameter estimates for risk-taking (RISKTA) was found to be statistically significant at 5% critical level because their *p-values* are less than 0.05 level of significant representing maximum probability attached to the test of risking type I error.

More so, the F-statistic result showed that all the incorporated explanatory variables are simultaneously significant at 5% critical level. The R-squared result reveals that 81% of the total variation in firm's value measured by technological innovation (TECHINNO) is accounted for by changes in the risk-taking (RISKTA) by SMEs. The Durbin-Watson test

result reveals that there is presence of weak positive serial correlation among the residuals, because of the d-value (1.873) is less than two.

5. Conclusion and Recommendation

The study appraised entrepreneurial orientation and marketing innovativeness among SMES in Ijebu-Ode Local Government Area. It has also shown that small and medium enterprises (SMEs) in Nigeria manage both production and marketing activities in an innovative manner. For example, to remain competitive in the market, small businesses introduce new concepts and constantly offer new products and designs. Furthermore, all SMEs focus on personalized and direct communication to customers, which is in some cases associated to the business model of offering customized products. One of the unexpected outcomes is that small businesses in Nigeria cooperate with their competitors and form strategic alliances in order to benefit from economies of scale, to share industrial experiences, as well as to better understand and satisfy latent customer needs. Furthermore, it was noticed that the analyzed SMEs have a rather simplified administration that facilitates flexibility. In regard to proactiveness, the study has shown that small scale businesses in Nigeria are aware of the increasing consciousness of consumers in terms of social and ethical responsibility and react proactively by offering sustainable products with a view of promoting transparency. SMEs are also proactive in networks and constantly look for better distribution channels. Besides, it was observed that SMEs were acting proactively to external changes in order to better understand and satisfy latent customer needs. Concerning risk-taking, the companies encourage well-calculated choices in order to promote market competitiveness.

Based on results of the study, it is recommended among other things that: entrepreneurs should ensure they take calculated risk in order to enhance their productivity through innovation. In addition, there is need for entrepreneurs to be proactive in their approach to product development as this will improve their quality and productivity. Furthermore, there is need for SMEs to be creative in their approach to business operation as this is found to increase their performance. Lastly, entrepreneurs should offer customized products irrespective of their stock levels so as to reduce financial risks of large prior production investments.

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