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EFFECT of strategic entrepreneurship practice on small and medium enterprises (SMEs) performance in Nasarawa State, Nigeria

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Abstract

SMEs in Nasarawa State, Nigeria, continue to experience weak performance despite government and global support. This study examined the effects of strategic entrepreneurship practices, specifically innovation and proactiveness, on SME performance. Survey research design was used for the study, data was sourced from 463 SMEs selected from the population of 10,728 SMEDAN-registered SMEs through a five-point Likert scale questionnaire. Data were analysed employing PLS-SEM via SmartPLS 3.0. Findings revealed that innovation and proactiveness positively and significantly influence SME performance. The study recommends increased investment in innovation, R&D, and proactive market-oriented strategies to enhance SME competitiveness.

Subject Classification: *62P25.*

Keywords: *Innovation, Proactiveness, Performance, Strategic entrepreneurship.*

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1. Introduction

Small and Medium-sized Enterprises (SMEs) constitute an important role towards global economic development, driving innovation and economic diversification. In Africa, SMEs are critical to economic transformation, providing employment opportunities and fostering inclusive growth. According to the African Development Bank statistic [1], SMEs represent about 90% of businesses and contribute nearly 80% of employment across the continent. In Nigeria, specifically, SMEs constitute about 48% of GDP and 84% of employment, showcasing their significance to the nation's economy [2]. In Nigeria, there have been numerous government interventions to encourage SME activities by establishing institutions to provide finance, information, and regulatory guidelines to SMEs in the country. It is surprising that despite government efforts and global interest in SMEs which have been recognized as a potential tool in economic development, SMEs in Nasarawa State are still experiencing low performance characterized by high mortality rate, stagnancy, poor performance, and lack of product innovation, as well as the inability to change their business strategies, poor financial resources and technical incompetence thereby hindering the performance [2].

Unfortunately, from the researcher's perspective, there are scarcity of research addressing the topic of strategic entrepreneurship practice and SMEs performance that can support further scholarly investigations, especially in Nasarawa State, Nigeria.

Previous research have been carried out in the area of strategic entrepreneurship practice and SMEs performance in developing countries. Studies have also examined the influence of government policies on startup ecosystems and entrepreneurial development [15]. The environmental dichotomies and methodological gap necessitate a current study to provide fresh insight into the interplay between strategic entrepreneurship practice and SMEs' performance in Nasarawa. The paper adds to the existing work on SME and entrepreneurship literature by adding to empirical validation of strategic entrepreneurship theory in a sub-national Nigerian context. In light of the forgoing, this research tried to investigate the effect of strategic entrepreneurship practices on SMEs' performance in Nasarawa State, Nigeria. The following hypotheses were validated in the course of this study:

$H_{o1:}$ Innovation has no significant effect on SMEs' performance in Nasarawa State, Nigeria.

H_{o2}:Proactiveness has no significant effect on SMEs' performance in Nasarawa State, Nigeria.

2. Literature Review

2.1 *Concept of Strategic Entrepreneurship Practice*

Strategic Entrepreneurship serves a significant function in a rapidly changing environment, bringing together strategic management practices and entrepreneurial initiative. Given this challenging environment, the merger of entrepreneurship and strategic management practice has been continuously reviewed by so many researchers, drawing from the concept of strategic entrepreneurship [3]. This study adopts the definition of [4], who sees SE as the simultaneously action engaged in the search for opportunities and competitive advantages by creating and carrying out entrepreneurial strategies that create more wealth.

2.2 *Concept of Innovation*

The term innovation is derived from the Latin word innovare, which means making something new, which is, converting opportunity into new ideas and turning them into widespread practice. [2] opined that innovation means introducing something new into your business. In small and medium businesses, innovation can manifest in several forms, such as introducing new products or services, adopting new technologies, improving business processes, and implementing new marketing strategies. These strategies are adopted to enhance the overall performance of enterprises, particularly in terms of sales volume and market competitiveness. This study adopted the definition of innovation by [2].

2.3 *Concept of Pro-activeness*

According to [5], pro-activeness is the ability to anticipate the occurrence of events and take action to address potential problems before they arise in the future. Proactiveness is an opportunity-seeking, forward thinking perspective involving staying ahead of rivals by way of introducing new products or services and predicting of future demand of its customers to bring change and shape the environment. In the same vein, [6] posits that a firm's awareness and response to the market signals and portrays its proactiveness; therefore, to take advantage of the

opportunities in the market by becoming the first mover [4]. This study adopts the definition by [7].

2.4 *Concept of Performance*

This study focuses on the non-financial performance of SME in Nasarawa State, Nigeria. Non-financial performance refers to element of business performance that are not directly measured in numbers but significantly affect the sustainability and success of the organization in the long run [8]. Ability of an SME to innovate and adapt to changing market conditions is a significant non-financial performance indicator. Innovation includes the development of new offerings, or processes that can provide a competitive advantage [9]. SMEs that prioritize innovation are better equipped to respond to market changes, customer needs, and competitive pressures, which enhances their long-term viability. The strength of an SME's brand and its market reputation are also key non-financial performance indicators. SMEs that focus on continuous improvement in operations can achieve better performance outcomes even without immediate financial gains.

3. Methodology

Survey was used for the study, guided by a cross-sectional research design. Primary data was collected through a well-structured 5 point Likert scale questionnaire administered to the respondent. This is because of superior generalizability and greater external reliability of the apporach [10]. The population of the study was based on SMEDAN report [11], data which comprised 10,728 SMEs in Nasarawa state, Nigeria registered with the Corporate Affairs Commission (CAC). The study used a sample size of 386 respondents.

Data Analysis

4.1 *Evaluation of Measurement Models*

Indicator Reliability

We begin by assessing the measurement model outer loadings. As a general principles, loadings above 0.7 are recommended, as they show that the construct explains more than 50 percent of the indicator's variance, thus providing acceptable item reliability [11]. However, [11] also suggested that low but significant indicator loading (less than 0.50) can be

included, thereby supporting why indicators with loadings less than 0.7 and above 0.50 were not deleted from the model.

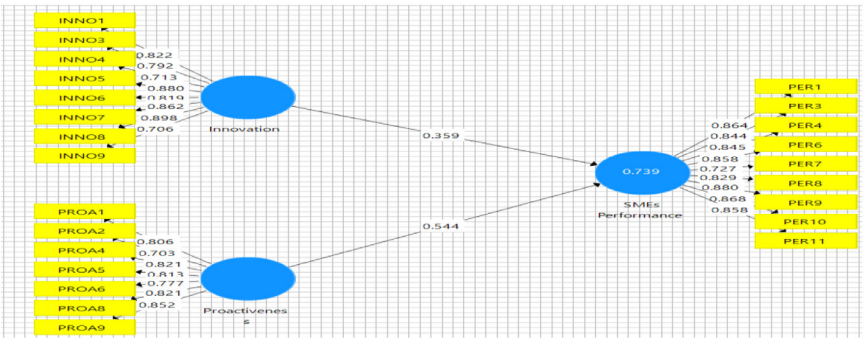


Figure 1

Indicator Loadings of Items: ***SMART-PLS Output, 2025***

Table 1

Factor Loadings of the Constructs

	Innovation	Proactiveness	SMEs Performance
INNO1	0.822		
INNO3	0.792		
INNO4	0.713		
INNO5	0.880		
INNO6	0.819		
INNO7	0.862		
INNO8	0.898		
INNO9	0.706		
PER1			0.864
PER10			0.868
PER11			0.858
PER3			0.844
PER4			0.845
PER6			0.858
PER7			0.727
PER8			0.829
PER9			0.880
PROA1		0.806	
PROA2		0.703	
PROA4		0.821	
PROA5		0.813	
PROA6		0.777	
PROA8		0.821	
PROA9		0.852	

Source: SMART-PLS Output, 2025

Construct Reliability

To establish the internal consistency reliability of the constructs, Cronbach's alpha and composite reliability (CR) should exceed the recommended threshold of 0.70. As shown in Table 1 and graphically represented in Figure 1, all latent constructs demonstrate satisfactory reliability, as their Cronbach's alpha and CR values exceed the threshold of 0.70 [11].

Convergent Validity

As presented in Table 2, the Average Variance Extracted (AVE) values for all constructs exceed the recommended threshold of 0.50, thereby confirming satisfactory convergentivalidity. This indicates that each construct explains at least 50% of the variance in the observed items measuring the respective construct [11].

Table 2

Construct Reliability and Validity of the Indicators

Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE
Innovation	0.926	0.929	0.940	0.663
Proactiveness	0.906	0.913	0.925	0.640
SMEs Performance	0.949	0.950	0.956	0.710

Source: SMART PLS Output, 2025

Test of Hypotheses

The table below presents the path coefficients, t values, and p values used to assess the first four null hypotheses of the study.

Table 3

Path Coefficient of the Model

Variables	Beta	T Statistics (|O/STDEV|)	P Values	Decision	F^2 Value
Innovation -> SME Performance	0.270	5.056	0.000	Rejected	0.075

Contd...

Proactiveness -> SME Performance	0.540	8.129	**0.000**	Rejected	0.303

Source: SMART-PLS Output, 2025

Hypothesis One

HO_1: Innovation has no significant effect on SME performance in Nasarawa State

The result of the test above shows that innovation has a positive and significant effect on SME performance in Nasarawa State, with $\beta = 0.270$ and $p = 0.000$. Thus, hypothesis one was not supported and therefore rejected at 5% level of significance. Therefore, we do not have sufficient reason to accept the null hypothesis, we therefore conclude that innovation has a positive and significant effect on SME performance in Nasarawa State.

Hypothesis Two

HO_2: Proactiveness has no significant effect on SME performance in Nasarawa State.

The result from Table 3 revealed that proactiveness has a positive and significant effect on SME performance in Nasarawa State, with $\beta = 0.540$ and $p = 0.000$. This result does not support the null hypothesis two and was therefore rejected at 5% level of significance. Therefore, we do not have sufficient reason to accept the null hypothesis, we itherefore conclude that proactiveness has a positive and significant effect on SME performance in Nasarawa State.

4. Discussion of Findings

Finding from the first hypothesis revealed that innovation positively and significantly affects SMEs' performance in Nasarawa State. This implies that SME that innovate are likely to experience improved performance, suggesting that innovation is the key driver of success for businesses. Entrepreneurs and managers of SME should prioritise innovation and invest in research and development. The findings are in tandem with the findings in [12], who found a positive and significant effect of innovation on SMEs' performance. However, the finding disagrees with the findings of [13], who found a positive and insignificant ieffect of innovation on SMEs' performance.

The second finding revealed that proactiveness positively and significantly affects SMEs' performance in Nasarawa State.This implies that anticipating and preparing for future challenges and opportunities is a key driver of business success. Entrepreneurs and managers of SME should anticipate changes in the market and industry, take initiative, and be forward-thinking to stay ahead of the competition. This finding agrees with the findings of [14], who found a positive and significant effect of proactiveness on SME performance, but the finding however, disagreed with that of [13], who found an insignificant effect on SME performance.

5. Conclusion

This study examined the effects of innovation and proactiveness on SME performance in Nasarawa State, Nigeria. The findings revealed that both practices significantly improve performance, with proactiveness ($\beta = 0.540$, $p < 0.000$) demonstrating a stronger effect than innovation ($\beta = 0.270$, $p < 0.000$). SME owners should prioritize innovation, technological adoption, opportunity identification, and proactive market strategies to enhance competitiveness. The study contributes empirical evidence on strategic entrepreneurship. However, its cross-sectional design limits causal conclusions. Future studies should explore additional entrepreneurial practices across other Nigerian states.

6. Recommendations

Based on the findings, the study recommends thus;

a) Entrepreneurs and managers of SME should prioritise innovation, allocate resources to R&D activities to drive continuous innovation in products, services, and processes but test new ideas through pilot projects before full-scale implementation.

b) Entrepreneurs and managers of SME should anticipate changes in the market and industry, take initiative, and be forward-thinking to stay ahead of the competition. Leadership should be trained in anticipatory decision-making to stay ahead of industry changes.

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