

## Empirical Investigation on the Relationship Between Strategic Orientations and SMEs Performance in Nigeria

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### Abstract

This study examines the relationship between strategic orientations and SMEs performance in Nigeria. The debate on entrepreneurial orientation and market orientation to firm performance will for a long time remain area of research. The population of this paper consists of 3,723 of all the SMEs operating in Kaduna and Sokoto state North West Nigeria. Out of which 351 sample questionnaires were administered to respondents concerning the entrepreneurial orientation and market orientation to SMEs performance. 218 questionnaires were returned. The number of valid questionnaires is 213. The data were analyzed using Partial Least Square Structural Equation Modelling (PLS-SEM) to determine the effect of the variables of the study. The findings of the paper indicated that entrepreneurial orientation promoting SMEs performance in Kaduna and Sokoto state North West Nigeria. Similarly, the result shows a statistically significant positive influence of entrepreneurial orientation to SMEs performance. While market orientation has no relationship with SMEs' performance in Kaduna and Sokoto state North West Nigeria. The findings will provide the government, policy maker(s) and other SMEs' stakeholders with the important variables of these entrepreneurial orientation and market orientation to SMEs performance in Nigeria. Implications and Suggestions for future research direction were discussed

**Keywords:** Strategic orientation, entrepreneurial orientation and market orientation, Small and Medium Performance,

### Introduction

The debate on the Small and Medium Enterprises (SMEs) performance have become a significant driver and benchmark in relation to the issue of modernization, urbanization, industrialization and, meaningful and fruitful employment for our teeming unemployed youths, in order to provide per-capita income, welfare and qualitative life as well as equitable distribution of income to the entire citizens (Aremu&Adeyemi, 2011). SMEs are capable of providing more growth as well as progress in terms of opportunities than that of their counterparts (large industrial sector) to the global economy (Burli, Kotturshettar&Kalghatgi, 2011). The rationale is that, SMEs performance played a really critical part in relation to economic development and maturation of many national economies (Aminu&Mohd Shariff, 2015; Rogo, Shariff, & Hafeez, 2017). Hence, in terms of performance, SMEs are playing a prominent role globally in the sense that, going by an average in the industrialized nations, it has contributed 65% of employment rate and 55% of gross domestic product (GDP) (Aminu, 2015; Egena, Ngovenda, Theresa & Bridget, 2014). In Nigerian context, as a developing nation with emerging economy, the performance of SMEs is a critical issue of serious concern perhaps, a lot of evidences have clearly proved that, SMEs' performance persistently have been decreasing over years as SMEs have been considered among the important sectors of the Nigerian economy. However, in 2001, 2007, 2012, 2013 and 2014, the SMEs' contributions with respect to GDP were 62.1%, 50%, 46.54%, 48.47% and less than 10% respectively (Gbandi&Amisah, 2014; Shehu, 2014; SMEDAN, 2013). Gbandi and Amisah (2014) argued that, SMEs' contribution to the Nigerian economy is less than 10% to its GDP, in which it has clearly depicted the underperformance of the Nigerian SMEs. In 2016, SMEs contribution to the Nigerian GDP was very low compared to other countries like Ghana, Kenya and Malaysia among others (SMEDAN, 2013). SMEs contribute with nothing less than 10% to Nigerian GDP (Gbandi&Amisah, 2014). Hence, the government strategized well again through entrepreneurial innovative awareness campaigns and incentives given to new breed entrepreneurs to the extent that, SMEs sector started consolidating its ground.

In the light of the above statement, several researchers such as Eneh, (2011); Okpara, (2011); SMEDAN, (2013) as well as Aminu and Mohd Shariff, (2015) viewed that, inconsistency of government policies, poor and dilapidated infrastructures, multiple taxation, obsolete technology, lack of commitments to quality standards, less productivity capabilities, lack of entrepreneurial competence as well as, conservative mind set of entrepreneurial business risk aversion, poor access to markets, and lack of access to cost effective and efficient sources of finance for entrepreneurial businesses and host of other predicaments are some of the likely factors that impinged the SMEs' contribution to GDP and employment, to the low significant level. In the recent time, SMEs practices being a pillar of social and economic performance in developed as well as in the developing countries has been identified with many problems as opined by, Osmond and Paul (2016), attributed poor market orientation as the major cause of SMEs performance predicaments, this is also supported by Oyedijo, Idris and

Aliu (2012). In another development, McLarty, Pichanic and Srpova, (2012); Suliyanto and Rahab (2012), viewed poor Market Orientation (MO) as one of the factors associated with SME low performance in Nigeria.

Furthermore, Osman, Ahmad, Rashid and Hussain (2011), are of the views that, extant literature has shown that Entrepreneurial Orientation (EO) aligned with MO revitalize SMEs performance as both the EO and MO, improve the business competitive ability to innovate and also respond proactively to both customers and market demands which eventually results to competitive performance. Similarly, Osman, Rashid, Ahmad and Hussain (2011), were of the view that, existing literature has advocated that in reviving the performance of SMEs, MO and EO need to be aligned; this is for the fact that, both of them bring about improvement with regards to the business competitiveness in terms of ability to innovate and at the same time respond in the proactive manner to customers as well as the market demands that eventually results to competitive performance of SMEs. In another development, many studies have been conducted in relation to the effect of entrepreneurial orientation on the performance of the SMEs (Aliyu, Rogo & Mahmood, 2015; Aminu&Mohd Shariff, 2015; Ferreira, Azevedo, & Ortiz, 2011; Lechner&Gudmundsson, 2014; Mahmood & Hanafi 2013; Nuhu& Ahmed, 2016). While in contrary, Afolabi, (2013), identified poor entrepreneurial orientation as a major challenge facing Nigerian entrepreneurs.

The non-performance of SMEs are seriously an issues that bother all Nigerian citizens and other SMEs stakeholders (Aliyu& Mahmood, 2014; Nuhu& Ahmed, 2017). Accordingly, several researchers such as Eneh, (2011); Okpara, (2011); SMEDAN, (2013) as well as Aminu and Mohd Shariff, (2015) admitted that, the SMEs in the Nigerian economy are faced with many serious problems inconsistency of government policies, poor and dilapidated infrastructures, multiple taxation, obsolete technology, lack of commitments to quality standards, less productivity capabilities, lack of entrepreneurial competence as well as, conservative mind set of entrepreneurial business risk aversion, poor access to markets, and lack of access to cost effective and efficient sources of finance for entrepreneurial businesses and host of other predicaments are some of the likely factors that impinged the SMEs' contribution to GDP and employment, to the low significant level. Other numerous practical issues regarding the lack of performance (non- performance) of Nigerian SMEs are subject of discussion to all. Similarly, it had been highlighted that, the danger that the economy of Nigeria is facing resulting from neglecting SMEs sector (SMEDAN, 2013). The report indicated that the collapse of these SMEs had resulted to unemployment, loss of market and inevitably affects entrepreneurship and the entire Nigerian economy (Adesina, Oguntuga, Raimi, &Ogunremi, 2013; Aliyu& Mahmood, 2014; Nkechi, EmehIkechukwu, &Okechukwu, 2012; Nuhu& Ahmed, 2017).

Therefore, the objective of this paper is to investigate the empirical relationship between strategic orientations (entrepreneurial orientation and market orientation) and SMEs Performance in Nigeria. This paper is divided into introduction, literature review, theoretical framework, methodology, discussion, conclusion and recommendations.

## Literature Review

SMEs have been defined in different ways and at different context. Different countries advance their peculiar meanings grounded on the expected role of SMEs in that country. Therefore, several countries regarded the level of their economic indicators and other industrial level of development in relation to the definition of SMEs (Merino, Monreal - Pérez, & Sánchez - Marín, 2015). In the same vein, SMEs can be defined in the context of the size of a firm or organization in relation to the number of the employees working with that organization or the total amount of its assets and capital levels (Mohammad, 2012; World Bank, 2013). Consequently, the SMEs and large organisations can be varied based on criterion mentioned above. In another development, Bouri, Breij, Diop, Kempner, Klinger and Stevenson, (2011) and World Bank (2013) asserted that, many definitions of the SMEs had banked on the above mentioned yardstick of SMEs size and total number of employees working with that organisation as well as its total assets value. On the other hand, European Union (EU) posits SMEs as any business firm having a number of employees between 10 up to 250 and also having an income within the range of \$10 to \$50 million in relation to turnover or the value of its assets fall between the ranges of \$10 to \$43 million (Bouriet *al.*, 2011; SMEDAN, 2012; World Bank, 2013). While, Inter- American Development Bank expressed SMEs as any firm with 100 number of employees as maximum and having a revenue of less than \$3 million. In another development, the International Finance Corporation (IFC) in collaboration with Multilateral Investment Guarantee Agency (MIGA) were of the view that, any firm having a number of employees from 10 up to the tune of 300, this is regarded as SME (Bouriet *al.*, 2011; World Bank, 2013). Furthermore, an enterprise is said to be medium when it has employees less than 250, at the same time having the turnover amounted less than €50 million and also their balance sheet is not anything shorter than €43million (Bouriet *al.*, 2011; Rogo, Shariff, & Hafeez, 2017; SMEDAN, 2012; World Bank, 2013).

Accordingly, the contribution of SMEs in the economic growth and development with statistical figures in relation to the developed nations can be seen in country like the United Kingdom (U K), the contribution of SMEs to the economic growth is 50% to GDP and 54.1% to employment (World bank, 2013). . Furthermore, in

China the contribution of SMEs is 55% with regards to GDP and 75% on the employment. However, in Taiwan, the contribution stands at 55% of GDP and 70% with regards to employment (World Bank, 2013). While, South Korea it stands for 55% to GDP and 70% with respect to employment level (SMEDAN, 2012). There are so many issues facing SME all around the world. The literature of Ghazilla *et al.* (2015) heightened some of the questions SME faces in the context of Malaysia. The main problems highlighted by them include lack of data on how to adopt and implement green initiatives as directed by Malaysian policy, as well as lack of experience and technical expertise to implement the green initiatives. In Nigeria, many factors have been identified in many studies as the major problems and encounters confronting SMEs, these factors contribute significantly to their pre-mature death hence, in spite of numerous benefits derived from SMEs in Nigeria (Osmond & Paul, 2016).

Therefore, the following have been identified as the major predicaments and challenges associated with the Nigerian SMEs such as: insufficient working capital, lack of professional advice with regards to the type and nature of business to venture in, inadequate marketing research, lack of proper record of business activities, over concentration in one market, lack of succession plan, inability to separate business from family affairs, inability of procuring the right plant and machinery, inability to employ the right caliber of staff, poor management strategy, lack of patronage of locally manufactured goods, reliance on foreign goods, irregular power supply, unfavorable government policies, poor and lack of adequate water supply. inconsistent government policies, political instability, poor policy implementation, raw material sourcing problem, lack of good preservation method, processing and storage facilities, lack of entrepreneurial spirit, competition with cheaper foreign imported goods, business plan inadequacy, dumping of foreign goods, problem of inter-sectoral linkages given that most large scale firms source their raw material from oversea instead of sub-contracting to SMEs, as well as lack of good resources utilization, obsolete technology that has negatively affected total quality management, lack access to finance, poor market orientation as well as poor entrepreneurial orientation (Covin & Lumpkin, 2011; Covin & Miller, 2014; Nuhu & Ahmed, 2017; Wales, Patel, Parida & Kreiser, 2013). Thus, several studies related to SMEs' performance have used different strategic orientations to firm performance (Aliyu, Rogo & Mahmood, 2015; Aminu & Mohd Shariff, 2015; Ferreira, Azevedo, & Ortiz, 2011; Lechner & Gudmundsson, 2014; Mahmood & Hanafi 2013; Nuhu & Ahmed, 2016). Hence, this paper reviewed the prior empirical relationship between entrepreneurial orientation and performance of SMEs and market orientation and performance of SMEs.

### **Relationship between entrepreneurial orientation and firm performance**

The entrepreneurial orientation to performance literature appeared to produce mixed findings. Ndubisi and Iftikhar (2012) in their study have examined the relationship amid entrepreneurship, performance quality and also innovation in the Pakistan' SMEs. Therefore, a sample of one hundred and twenty four SMEs are used in their study, using questionnaire and hierarchical multiple regression model for the purpose of analyzing the data. Thus, they found that, positive significant relationship exist amid entrepreneurship and SMEs' quality performance. Accordingly, the study will measure EO as a uni-dimensional construct of strategic orientation as originated from Miller (2011) and Covin and Slevin (1989) scale and adapted from Hakala and Kohtamaki (2011). Similarly, Fatoki (2012) considered a survey area as King William's Town and East London in the Eastern Cape of South Africa. Data was collected through the use of self-administered questionnaires in a survey and the data collected, was analyzed through the use of descriptive statistics, correlation and regression. The results indicate that there is a significant positive relationship between EO and access to debt finance and the performance of SMEs. The results also point out that access to debt finance partially mediates the relationship between EO and the performance of SMEs in a study conducted on EO access to debt finance and SMEs performance in South Africa.

Likewise, Prato Wee, Syahchari, Tyaznugraha, and Hadiatifitri (2013) examine the mediating role of innovation success on the relationship among EO, human capital, societal capital and SMEs' performance, by means of questionnaire with the use of structural equation modeling in analyzing the data. The sample is drawn from Johor Bahru, Malaysia and Palenband, Indonesia. Thus it was found that significant positive relationship exist amid EO and performance of the SMEs. In contrast, the findings of Anderson (2010) indicated that, negative relationship amid EO and SMEs' performance. Also, the study of Jabeen (2014) showed that EO and moderating effect of external environment (EE) to SMEs performance is not significant. Similarly, the study of Aminu and Mohd Shariff (2015) established negative relationship amid EO and access to finance among Nigerian SMEs. Therefore, this signified that EO and organisational performance literature is inconclusive.

In another development, the concept of entrepreneurial orientation has been under investigation as far back as 1976 from the work of Mintzberg. EO epitomizes the policies and practices that offer a foundation for entrepreneurial judgments and actions. Therefore, with this, EO can be deduced to be a strategic process in which SME's decision makers utilize to implement their companies organizational purpose in efforts to sustain and maintain its vision as well as creating competitive advantage. However, George and Marino, (2011) in their study makes a contradictory conclusion to the work of Mintzberg, Raisinghani and Theoret (1976) concluding that EO sole influence on SMEs entails improving financial performance rather than the acclaimed strategic

movement towards achieving organizational goals. Furthermore, the study of Lumpkin and Dess (1996) posited that the concept of EO and its constructs interments the concepts of decision-making techniques that owners or managers utilize entrepreneurially. Reflecting a SME's operation in creating value irrespective of entrepreneurial activities it undertakes. Traditionally EO is argued to have three main constructs namely: new product risk, willingness of new product innovation, and pro-activeness (Covin& Lumpkin, 2011; Covin& Miller, 2014; Wales, Patel, Parida&Kreiser, 2013).

Freiling and Schelhowe (2014) argues that many studies investigating EO are more to explorative omitting the exploitative side. Therefore, these prompted them to examine the exploitative side of EO. However, merging the explorative and exploitative sides of EO they concluded that, it will enable the SMEs to perform effectively. Deh, Asuamah and Agyemang, (2013), their study signified that, EO as the willingness to engage in a more innovative, risky as well as uncertain activities in the market place, accurately discover new opportunities before their competitors. Based on the above literature results and findings, the following hypothesis is proposed:

*H1: There is a significant relationship between entrepreneurial orientation and performance of small and medium enterprises in Nigeria.*

### **Relationship between market orientation and firm performance**

market orientation is described traditionally as a business philosophy of customer orientation (Keelson, 2014). Similarly, it is also viewed from the cultural and behavioral, approaches as a set of organizational behaviors which are reflected in marketing activities that SMEs undertake in their effort to provide superior values for customers (Keelson, 2014). Therefore, market orientation has been seen as an organizational culture representing the values and beliefs that the top management share in relation to customer satisfaction as a way of achieving superior organizational performance (Keelson, 2014). Eventually, the concept of market orientation as an organizational culture enables SMEs to be sensitive to the market it serves, by gathering relevant information about specified customers' needs and competitors' strategies and capabilities for the purpose of continuously offering superior values for customers (Keelson, 2014). Hence, a market-oriented SMEs (business firms) have capabilities of being sensitive to what happens in the marketplace compare to non-market oriented ones. Many studies have been undertaken in relation to the concept of market orientation. Therefore, market orientation can be defined as the degree of intensity to which SMEs have adopted the marketing concept (Kilenthong, Hultman& Hills, 2016; Lamore, Berkowitz & Farrington, 2013; Pérez-Luño&Cambra, 2013; Sheth, Parvatiyar& Sinha, 2015). Similarly, as indicated in the previous studies, the vital role played by market orientation in influencing SMEs' performance (Baker, Sinkula, Grinstein & Rosenzweig, 2014; Beneke, Blampied, Dewar & Soriano, 2016; Nuhu& Ahmed, 2017; Urde, Baumgarth&Merrilees, 2013; Song, Wang & Cavusgil, 2015).

Thus, there is need to investigate market orientation because of the important of the variable that arises in the less developed nations due to inadequate or thorough studies that are scarce. Hence, Hussin, Thaheer, Badrillah, Harun and Nasir, (2014), contended that market orientation has delivered a significant positive performance in the economy of the West, therefore, its implementation on the other economies becomes important, more especially looking at the constructs of market orientation and SMEs performance in Nigeria. Although, existing literature has acknowledged its relationship with greater organizational performance (Line & Runyan, 2014). However, despite its acknowledgement as an important aspect of business management practices which ensures superlative organizational performance by focusing and embarking on market-oriented activities, assessing the extent of its application by business organizations has been a difficult task to many marketing scholars and practitioners (Pascucci, Bartoloni&Gregori, 2016). However, it is in a bid to overcome this difficulty that market orientation evolved.

Therefore, market orientation has been seen as an organizational culture representing the values and beliefs that the top management share in relation to customer satisfaction as a way of achieving superior organizational performance (Keelson, 2014). Eventually, the concept of market orientation as an organizational culture enables SMEs to be sensitive to the market it serves, by gathering relevant information about specified customers' needs and competitors' strategies and capabilities for the purpose of continuously offering superior values for customers (Keelson, 2014). Hence, a market-oriented SMEs (business firms) have capabilities of being sensitive to what happens in the marketplace compare to non-market oriented ones.

Although, the conceptualization and operationalization of market orientation gained wide acceptance from two popular perspectives (Keelson, 2014; Lichtenthaler, 2016; Truong, 2014). Moreover, Truong, (2014), was of the view that, one group that conceptualized and operationalized market orientation was Narver and Slater in 1990. Thus, Narver and Slater describe the market orientation concept as an organizational culture that serves as a bases for providing better values for customers (Fang, Chang, Ou& Chou, 2014). Therefore, Narver and Slater (1990) operationalized the concept of market orientation as a unidimensional construct with three components namely: customer orientation, competitor orientation, and inter-functional coordination (Narver& Slater, 1990; Shia, Chen, Ramdanyah& Wang, 2015). Consequently, this study is going to measure MO as a uni-dimensional variable, as originated from Narver and Slater (1990) and adapted from, Aminu and Mohd Shariff (2015);



Suliyanto and Rahab (2012). Based on the above empirical literature results and findings, the following hypothesis is proposed:

*H2: There is a significant relationship between market orientation and performance of small and medium enterprises in Nigeria.*

### Theoretical Framework

The research framework in this study has two independent variables which will serve as representatives of the SMEs' valuable resources, namely MO and EO. The SMEs' performance will serve as the dependent variable underpin by the resource based view (RBV).

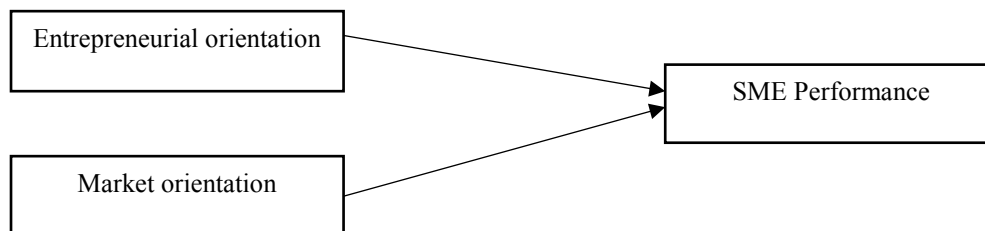


Figure 1: Research Framework

### Methodology

The population in this study consist of all the SMEs operating in Kaduna and Sokoto states of North-western Region of Nigeria. According to SMEDAN (2013) and World Bank (2013), the total number of SMEs as at 2013 in this two state stood at 2,882 and 841 for Kaduna and Sokoto state respectively (SMEDAN, 2013). The total population of the study is 3,723. The unit of analysis for this study is organization where by, Owners / Managers will serve as the representatives of the organization. This is for the fact that, SMEs (firms or organizations) will be studied. Although, the performance of SMEs (firms or organizations) will be studied, but owners/managers will be chosen as key informants for their firms since SMEs could not speak for themselves. Moreover, owners/managers are serving as the representatives of their organizations whose responsibilities are to implement the entire organizational plans, rules and policies, strategies and procedures in running their organizations. Furthermore, owners/managers are well-informed about the day-to-day activities of that organisation and they are considered to be most knowledgeable in that organization particularly, with regards to the operation of their organizations. From Krejcie and Morgan's (1970) sample size table, the sample size for 3,723 is 351. Hence, this study adopted stratified sampling technique. The study adopted seven- point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

The performance scale which uses subjective (non- financial) measures were adapted from the work of Aminu (2015); Shehu and Mahmood (2014); Suliyanto and Rahab (2012). Market orientation with eleven (11) items were adapted from the work of Calantole (2002); Lin *et al.*, (2008); Slater and Narver (1995); Suliyanto and Rahab (2012). And entrepreneurial orientation were measured by using nine (9) items in a single dimension adapted from Idar and Mahmood (2011).

### Analysis and Results

A total of 351 questionnaires were distributed to the owner/ managers of SMEs, located in the Kaduna and Sokoto in Nigeria. Hence, self-administered questionnaire were carry out to the entire respondents. The response rate had yielded the outcome of 218 returned questionnaires. As such, the number of valid questionnaires are 213. Therefore, this gave the response rate of 61%. Sekaran (2003) contended that a response rate of 30% is sufficient for surveys. The response rate of 61% is adequately enough to be considered for running the analysis of this study (Sekaran, 2003).

From the demographic analysis, the majority of the respondents in the sample, that served as the representatives of the main line of the business 98 (46.08%), were manufacturers, 66 (31.03%) were in agricultural sector, while the remaining 49, that are representing 22.89% were in service providers. Besides main line of the respondents' business, respondents (owner/managers) were also asked to indicate the location of the business, in which 208 that represents 65.26% are located in Kaduna and 74 of 34.74% are in Sokoto. With regards to the firm's years in operation, 36 representing (16.90%) of the respondents had answered that their firms are less than five years in their operations; while, 92 representing (43.19%) of the firms have been operating for about five to 10 years; and 38 representing (17.84%) had indicated that their firms are amid 11 to 15 years in operation. Lastly, only 47 which represent 22.07% have been in business operations for more than 15 years. Likewise, with regards to the size of the firm, number of employees that are working in a firm represents the size of the firm in the study.

This paper, in line with the recent development for data analysis, the study adopted the used of Partial Least Squares Structural Equation Modeling (PLS-SEM) (Hair et al., 2014;Henseler,Ringle andSinkovics,2009).Therefore, this two-step process adopted in this particular study comprises the following: Firstly, the issue of assessment of a measurement model ,and secondly, that of assessment of the structural model(Hairetal.,2014;Hairetal.,2012;Henseleretal., 2009).

Hence, the descriptive analysis revealed that, majority of the SMEs that are operating in Nigeria are small going by an average of 62.3% when compared to the only 37.7% that operates as medium. The mean for the latent variables ranged between 3.62and4.90.Specifically,the mean and standard deviation for the market orientation was 3.62, with a standard deviation value as1.05, this indicate that the owner/managers market orientationis low. In addition, the results of the descriptive statistics for the entrepreneurial orientation shown the mean of 4.38 and the Standard deviation of 1.29.

### Analysis of Measurement Model

The issue of measurement model assessment consists of determining individual item reliability, internal consistency reliability, content validity, convergent validity and discriminant validity (Hair *et al.*, 2014; Hair *et al.*, 2011;Henseler *et al.*, 2009). With respect to the issue of Individual item reliability, Duarte and Raposo, (2010); Hair *et al.*, (2014); Hair *et al.*, (2012) and Hulland, (1999)stated that, it was assessed by examining the outer loadings of each construct’s measure. Therefore, going by this rule of thumb, for the purpose of retaining items with loadings amid .40and.70(Hairetal.,2014),it was discovered that ,in the present study out of 42items,15 were deleted for the fact that, they presented loadings below the threshold of 0.40.Thus, in mthe whole model,only27 items were retained as they had loadings between 0.789 and 0.942. Therefore, in the present study, composite reliability coefficient was chosen so as to ascertain the reliability of internal consistency of the adapted measures. In other words, no matter which particular coefficient of reliability is used, it should be noted that, the value of an internal consistency reliability above.70 is considered a satisfactory for an adequate model, where as any value that is below .60 depicts a lack of reliability. Nevertheless, based on the rule of thumb that had been provided by Bagozzi and Yi (1988) with that of Hair et al (2011), who suggest that the composite reliability coefficient should be at least .70 or more. Therefore, this served as a bases for the interpretation of internal consistency reliability using composite reliability coefficient. See table 1 below;

Table 1

*Results of Measurement Model*

Constructs and Indicators	Loadings	Cronbach's Alpha	Composite Reliability	AVE
<b>Market Orientation</b>		0.942	0.954	0.776
MO01_1	0.859			
MO02_1	0.865			
MO03_1	0.868			
MO04_1	0.926			
MO05_1	0.921			
MO06_1	0.843			
<b>Entrepreneurial Orientation</b>		0.930	0.947	0.783
EO01_1	0.911			
EO02_1	0.885			
EO03_1	0.878			
EO04_1	0.802			
EO05_1	0.942			
<b>SME Performance</b>		0.937	0.951	0.763
FP01_1	0.854			
FP02_1	0.849			
FP03_1	0.906			
FP04_1	0.931			
FP05_1	0.903			
FP06_1	0.789			

Again, as indicated above in table 1, the average variances extracted values range between .739 and .808, suggesting acceptable values.It can be observed that, in table 2 below ,the correlations among the latent variables were compared with the square root of the average variances extracted values written bold. Accordingly, Table2 also depicted that, the square root of the average variances extracted were all greater than the correlations among latent variables, suggesting adequate discriminant validity( Fornell &Larcker, 1981). Additionally, as stated earlier, discriminant validity can be determined by comparing the item loadings with cross-loadings (Chin, 1998).Therefore, in order to achieve adequate discriminant validity, Chin(1998) proposes that all the cross-

loadings should be lower than indicator loadings. Hence, it can be noted below that, Table 2 has compares this study's item loadings with other reflective items. Therefore, all item loadings were numerically more than the cross-loadings thus, suggesting adequate discriminant validity for a further analysis in this particular study.

Table 2

*Discriminant Validity*

	Market Orientation	Entrepreneurial Orientation	SME Performance
Market Orientation	<b>0.881</b>		
Entrepreneurial Orientation	0.715	<b>0.885</b>	
SME Performance	0.597	0.808	<b>0.874</b>

Note: "Diagonal elements are the square root of the variance shared between the constructs and their measures (AVE). Off-diagonal elements are the correlations among constructs".

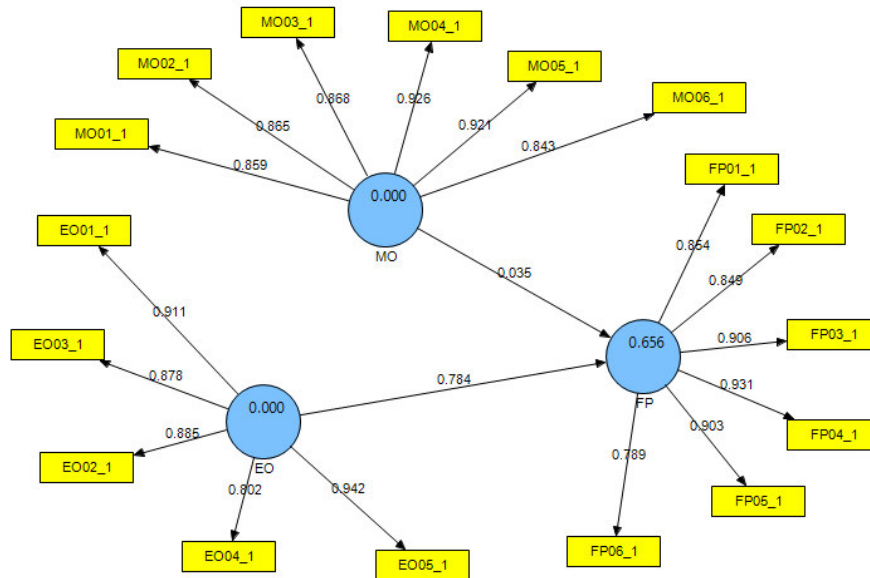


Figure 2: Measurement Model

**Analysis of Structural Model**

Having determined the measurement model for this paper, the next is to assess the structural model. This study applied 5000 boot strapping standard procedure to assess significance of the path coefficients (Hair et al., 2014; Hair et al., 2011; Hair et al., 2012; Henseler et al., 2009). See the depicted structural model estimates of this study that were examined in Figure 2 and Table 3 below.

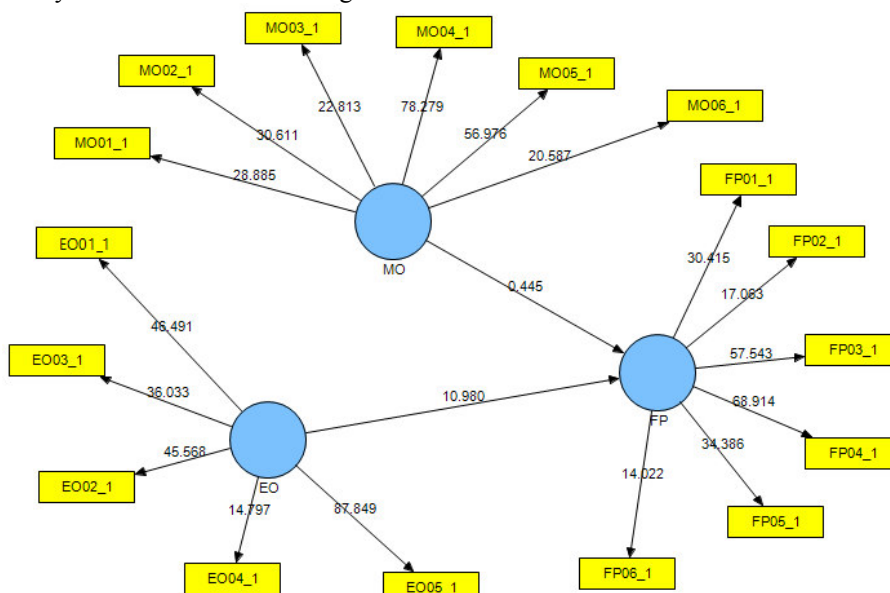


Figure 3: Structural Model

Table 3  
 Results of Structural Model

Hypotheses	Relationship	Beta	SE	t-value	p-value	Findings
H1	Market Orientation >SME Performance	0.035	0.080	.445	0.33	Not Supported
H2	Entrepreneurial Orientation >SME Performance	0.784	0.071	10.980	0.00**	Supported

P. value significant at 1% \*\* (one tailed)

### Discussion and Recommendations

In line with the objective of this paper, the findings showed that, at the outset of this study, Hypothesis 1 had predicted that Market Orientation has no relationship with SME performance while the result indicated that there are not significant positive relationship with market orientation and SMEs performance ( $\beta = 0.035$ ,  $t = < 0.445$ ,  $p < 0.33$ ), Not supporting Hypothesis 1. This consistency with work of previous researchers (Baker, Sinkula, Grinstein & Rosenzweig, 2014; Beneke, Blampied, Dewar & Soriano, 2016; Nuhu & Ahmed, 2017; Urde, Baumgarth & Merrilees, 2013; Song, Wang & Cavusgil, 2015). The result of Hypothesis 2 supported that entrepreneurial orientation had a positive significant relationship with the SMEs performance ( $\beta = 0.784$ ,  $t = 10.980$ ,  $p < 0.00$ ), thus, Hypothesis 2 is supported. This results is consistency with the work of the prior studies (Covin & Lumpkin, 2011; Covin & Miller, 2014; Wales, Patel, Parida & Kreiser, 2013). Meanings that Market Orientation is not good predictor to SMEs Performance, but entrepreneurial orientation is good predictor to SMEs Performance in the *Kaduna and Sokoto state North West Nigeria*.

Therefore, the study recommended that the finding provides the government, policy maker, and other SMEs' stakeholders with the important variables of this entrepreneurial orientation and market orientation to SMEs performance in Nigeria. This study also have suggested that the future research direction should improve on this study by adopted or adapted the use of moderator and mediated. As well as new methodological and theoretical approaches for future studies.

### Reference

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