

**IMPACT OF TECHNICAL ENTREPRENEURIAL AND MARKET ORIENTATION
ON FIRMS' PROFITABILITY IN SMALL AND MEDIUM ENTERPRISES IN
SOUTHWESTERN NIGERIA**

BY

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DEDICATION

This work is dedicated to God Almighty who generously gave me the strength, health and other resources to successfully accomplish this research amid other competing demands.

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ABSTRACT

The study examined the technical entrepreneurial orientation (TEO) and market orientation (MO) possessed by small and medium enterprises (SMEs) in Southwestern Nigeria and determined their effects on profitability. It investigated the relationship between the socio-economic characteristics of the owners of SMEs and their TEO or MO with a view to recommending policy interventions that could influence the effects of TEO and MO on profitability.

The study covered technological firms in Osun State, Lagos State and Oyo State of Nigeria. Data were collected from primary and secondary sources. The primary data were collected through the administration of questionnaires and also supplemented by well-guided oral interview. Five Local Governments were selected from each state. One hundred respondents were selected from the five Local Governments in each State, making a total sample size of three hundred. The questionnaire elicited information on the socio-economic characteristics, TEO and MO of the operators and profitability. The TEO was measured using three indicators which include innovativeness, proactiveness and risk-taking. MO was measured using knowledge of market, dissemination of market information and marketing activities as indicators. Profitability was also measured using change in sales revenue and profit. Secondary data were sourced from the records of the firms. Data were analyzed using descriptive and inferential statistics.

The result showed that most of the respondents possessed average innovativeness (62.7%), proactiveness (52.3%) and risk-taking (63.3%). Considering the level of market orientation possessed by the respondents, the study showed that 52.0%, 76.7% and 53.0% of the respondents possessed average knowledge of market, dissemination of market information and

marketing activities, respectively. Results of regression analysis showed that there is no significant relationship between technical entrepreneurial orientation and profitability ($t = 1.415$; $p > 0.05$), meaning that the technical entrepreneurial orientation of the small and medium scale enterprises did not affect their profitability. There is a significant relationship ($t = -3.065$, $p < 0.05$) between market orientation and profitability, implying that the market orientation of the small and medium enterprises had effect on their profitability. The chi-square analysis showed that market orientation had a significant relationship with (gender [$\chi^2 (41, N = 300) = 68.663$; $P < 0.05$], age [$\chi^2 (205, N = 300) = 323.389$; $P < 0.05$], tribal group [$\chi^2 (123, N = 300) = 342.647$; $P < 0.05$], marital status [$\chi^2 (123, N = 300) = 239.606$; $P < 0.05$], family size [$\chi^2 (164, N = 300) = 302.112$; $P < 0.05$] and educational qualification [$\chi^2 (164, N = 300) = 321.891$; $P < 0.05$] of the respondents.

In conclusion, market orientation of the operators of small and medium enterprises was good and improved profitability. However, their technical entrepreneurial orientation did not influence profitability.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Technical Entrepreneurial Orientation (TEO) and Market Orientation (MO) are organizational cultural factors that influence firm success. Previous studies have tried to find out the relevance of these factors. However, the importance of TEO as a driver of profitability has been downplayed by firms. Miller (1983) posited that it is not just the type of entry but context that may influence the entrepreneurial process. The author further commented that in TEO research, there have been numerous attempts to define contexts in terms of environmental uncertainty or dynamism (e.g., Becherer and Maurer, 1997), and organizational structure and process (Green et al., 2008), or to study a particular life cycle stage (see for instance, start-up businesses-Kehet *al.*, 2007). He acknowledged that there are many aspects of context that may simultaneously influence TEO and its relationships to sources and outcomes.

TEO has been conceptualized in so many ways; and it has been stated that there is no objectively correct or incorrect conceptualization of the phenomenon (Covinand Lumpkin, 2011). There are two principal ways in which the construct of TEO has been conceptualized: as a unidimensional or composite construct (Miller, 1983; CovinandSlevin, 1989) or as a multidimensional construct (Lumpkin andDess, 1996). In the unidimensional view of TEO, the latent construct is understood to exist only to the extent that risk taking, innovativeness, and proactiveness are concurrently manifested by the firm. The exhibition of only one or two of these dimensions would be insufficient to label the firm as entrepreneurial (Covinand Lumpkin, 2011). In a statistical sense, TEO is the common or shared variance among risk taking, innovativeness, and proactiveness. Overall, under the unidimensional conceptualization, TEO

can be understood as a sustained firm-level attribute represented by the singular quality that risk taking, innovative and proactive behaviours have in common.

In the multidimensional view of TEO, the latent construct exists as a set of independent dimensions, namely, risk taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy. That is, these five dimensions constitute the construct of TEO. Multidimensional constructs typically exist in two basic forms: aggregate constructs and superordinate constructs (Edwards, 2011). Aggregate constructs are those in which the relationships flow from the dimensions to the construct (Edwards, 2011). That is, aggregate constructs combine specific dimensions to create or produce a general concept. By contrast, superordinate constructs are those in which “the relationships flow from the construct to its dimensions (Edwards, 2011). That is, superordinate constructs are general concepts that are manifested through specific dimensions. As conceptualized by Lumpkin and Dess (1996), TEO is a superordinate construct with the dimensions of risk taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy themselves being constructs that function as specific manifestations of TEO.

Another firm level factor that has undergone extensive discussion in the literature is market orientation (MO). This factor is posited to reflect the extent to which firms establish the satisfaction of customer needs and wants as an organizing principle of the firm (Lumpkin and Dess, 1996). It reflects the firm’s propensity to adopt the marketing concept. It is typically measured by assessing the firm’s commitment to base strategic decisions on customer-oriented market intelligence (Slater and Narver, 1995; Day, 1994). Firms with strong MOs prioritize learning about: (1) customers (e.g., likes and dislikes, satisfaction and perceptions), (2) the factors that influence customers (e.g., competition, the economy and socio-cultural trends), and (3) the factors that affect the ability of the firm to influence and satisfy customers (e.g.,

technology and regulation). They do this because they believe in the preeminence of customer satisfaction as an organizational objective.

Traditional operationalizations of MO focus on behaviours associated with firms' acquisition, dissemination and response to market information. Both the MARKOR (Jaworski and Kohli; 1993) and Narver and Slater (1990) scales construe market orientation as a three-dimensional construct. The former assesses information acquisition, dissemination and responsiveness, whereas, the latter measures customer orientation, competitor orientation, and interfunctional coordination.

1.2 Statement of the Problem

Baker and Sinkula (2009) suggested that the past research has underplayed the importance of Technical Entrepreneurial Orientation (TEO) and Market Orientation (MO) as drivers of profitability in small and medium enterprises. This justified the demonstration of the roles of TEO and MO in firms' profitability.

Other problems identified are that the owners of small and medium enterprises seem to lack basis for more rapid improvement, which can translate into superior new product success, profitability, market share, and, perhaps, sustainable competitive advantage (Day, 1994).

The effect of Technical Entrepreneurial Orientation (TEO) and Market Orientation (MO) on profitability of small and medium enterprises has been established in literature for other countries, but this has not been done in Nigeria. Also, previous studies in foreign countries have reported that there is a positive relationship between TEO/MO and profitability (Slater and Narver, 1998b, Baker and Sinkula, 2009, Barrett and Weinstein, 1998 and Matsuno *et al.*, 2002) but

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