

Competitive strategy as a mediator of the effect of entrepreneurial orientation on firm performance: a study of selected registered SMEs in Ilorin Kwara state

La estrategia competitiva como mediadora del efecto de la orientación empresarial en el rendimiento de la empresa: un estudio de PYMES registradas seleccionadas en el estado de Ilorin Kwara

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Date of receipt: March 7, 2025
Date of acceptance: March 31, 2025
Date of publication: April 21, 2025

The ability of SMEs to sustain their performance amid market competition is deeply intertwined with their capacity to adopt and implement innovative business strategies. Hence, this paper aims to investigate competitive strategy as a mediator of the effect of entrepreneurial orientation on firm performance by conducting a study of selected registered SMEs in Ilorin Kwara State. Specifically, it examined the effect of innovativeness, proactiveness, and autonomy on firm performance and competitive strategy as a mediator. A descriptive survey research design was adopted with a population of 1,416 registered SMEs in Kwara State. A sample of 312 SMEs was administered a structured questionnaire. The data collected were analyzed using PLS-SEM. The findings revealed that autonomy has the strongest effect on firm performance ($\beta = 0.401$, $t = 8.846$, $p < 0.000$), followed by proactiveness ($\beta = 0.219$, $t = 3.869$, $p < 0.000$), and innovativeness (β

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<https://doi.org/10.18800/360gestion.202510.003>

RCG. 20251003

= 0.137, $t = 2.240$, $p = 0.026$), while competitive strategy has the highest partial mediating effect on the innovativeness-performance relationship ($VAF = 52\%$) followed by the proactiveness-performance relationship ($VAF = 24\%$), but the autonomy-performance relationship ($VAF = 8\%$) has no significant mediating effect. The study concludes that competitive strategy as a mediator is significantly vital for the effect of entrepreneurial orientation on firm performance in selected registered SMEs. Therefore, it is strongly recommended that, to strengthen the firm performance of SMEs, owners should consider competitive strategy in the form of a differentiation strategy and focus strategy, which help to enhance the contribution of entrepreneurial orientation to firm performance as they have a substantial influence on the relationship between entrepreneurial orientation and firm performance.

Keywords: competitive strategy, entrepreneurial orientation, firm performance, innovativeness, proactiveness

La capacidad de las PYME para mantener su rendimiento en un mercado competitivo está estrechamente relacionada con su capacidad para adoptar e implementar estrategias empresariales innovadoras. Por ello, este estudio examina la estrategia competitiva como mediadora del efecto de la orientación empresarial en el rendimiento empresarial: un estudio de las PYME seleccionadas registradas en el estado de Ilorin Kwara. Específicamente, se examinó el efecto de la innovación, la proactividad y la autonomía sobre el rendimiento empresarial, así como el papel de la estrategia competitiva como variable mediadora. Se adoptó un diseño de investigación descriptivo de encuesta con una población de 1 416 PYME registradas en el estado de Kwara. Se administró un cuestionario estructurado a una muestra de 312 PYME. Los datos recopilados se analizaron mediante PLS-SEM. Los hallazgos revelaron que la autonomía tiene el efecto más fuerte sobre el rendimiento empresarial ($\beta = 0,401$, $t = 8,846$, $p < 0,000$), seguida por la proactividad ($\beta = 0,219$, $t = 3,869$, $p < 0,000$) y, posteriormente, la innovación ($\beta = 0,137$, $t = 2,240$, $p = 0,026$). En cuanto al papel mediador de la estrategia competitiva, se observó un efecto mediador parcial más fuerte en la relación entre innovación y rendimiento empresarial ($VAF = 52\%$), seguido por la relación entre proactividad y rendimiento ($VAF = 24\%$). Sin embargo, no se identificó un efecto mediador importante en la relación entre autonomía y rendimiento ($VAF = 8\%$). El estudio concluye que la estrategia competitiva desempeña un papel mediador significativamente relevante en la relación entre la orientación empresarial y el rendimiento empresarial de las PYME seleccionadas registradas. En consecuencia, se recomienda firmemente que, para fortalecer el rendimiento de estas empresas, sus propietarios consideren la adopción de estrategias competitivas, particularmente de diferenciación y enfoque, ya que estas potencian el impacto de la orientación empresarial sobre el rendimiento empresarial.

Palabras clave: estrategia competitiva, orientación empresarial, rendimiento empresarial, innovación, proactividad.

1. Introduction

The relationship between entrepreneurial orientation (EO) dimensions and the success of small and medium enterprises (SMEs) has been an area of growing interest, especially in rapidly developing economies. As a multidimensional construct encompassing innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness, EO represents a critical dynamic capability that allows firms to reconfigure their internal and external competencies to address rapidly changing environments (Teece et al., 1997; Zahra & George, 2002). In regions such as Kwara State, Nigeria, SMEs often face intense market competition and operational challenges, which necessitate strategic shifts in business models to maintain a competitive edge (Aneke & Garba, 2024).

While EO dimensions are important drivers of firm performance, their direct impact may be contingent upon various contextual factors, particularly in culturally diverse and economically transitioning regions like Nigeria. The cultural context significantly shapes how entrepreneurial behaviors are manifested and received, influencing the effectiveness of various EO dimensions (Hofstede, 2001; Donthu & Yoo, 1998). For instance, in collectivist societies prevalent across many African nations, the autonomy dimension of EO might operate differently compared to more individualistic Western contexts, requiring nuanced approaches to entrepreneurial leadership and decision-making processes (Ekure & Eleje, 2021).

Critically, the translation of EO dimensions into superior firm performance necessitates an effective mediating mechanism. Competitive strategy emerges as this essential mediator, providing the strategic framework through which entrepreneurial behaviors can be channeled toward market advantages and performance outcomes (Porter, 1985; Barney, 1991). Without well-defined competitive strategies, such as differentiation, cost leadership, or focus, even the most innovative and proactive entrepreneurial efforts may fail to yield tangible performance improvements (Johnson & Lee, 2021). This strategic mediation is particularly vital in the turbulent business environments characteristic of developing economies, where resource constraints and institutional voids further complicate the entrepreneurial journey.

Recent studies have pointed to this critical intersection between innovative business practices, competitive strategy, and firm performance. For example, research conducted by Ekure and Eleje (2021) on SMEs in Akwa Ibom State reveals that those adopting a customer-oriented and innovation-oriented framework, aligned with clear competitive positioning, tend to outperform their competitors. This strategic alignment has been shown to notably enhance a firm's ability to respond to market demands while maximizing its internal capabilities (Ekure & Eleje, 2021). The alignment fosters a culture of adaptability and resilience, which is crucial in volatile markets where external pressures can destabilize firms without robust strategic foundations (Aneke & Garba, 2024).

Furthermore, empirical evidence from similar studies highlights the importance of developing a strategic focus that emphasizes both EO dimensions and proactive market engagement through competitive positioning (Adesanya et al., 2018). SMEs in Lagos State, for instance, have demonstrated improved performance metrics when employing a multifaceted entrepreneurial orientation that includes risk-taking and innovation, mediated

by customer-centric competitive strategies (Adesanya et al., 2018). This suggests that a well-rounded approach, integrating both internal capabilities and external market insights through competitive strategy, plays a significant role in elevating firm performance in competitive markets. The ability of SMEs to sustain their performance amid market competition is deeply intertwined with their capacity to develop dynamic capabilities through EO and implement these capabilities via appropriate competitive strategies. As more research emerges from various Nigerian states and across culturally diverse contexts, it becomes increasingly clear that the successful mediation of entrepreneurial efforts through strategic frameworks can foster resilience, innovation, and sustained growth for these enterprises (Kowo & Akanmu, 2021). This study therefore seeks to examine how competitive strategy mediates the relationship between EO dimensions and firm performance in the unique cultural and economic context of Nigerian SMEs.

Specifically, the objectives of the study will include the following: to determine the effect of innovativeness on entrepreneurial performance, to investigate the influence of proactiveness on entrepreneurial performance, to examine the influence of autonomy on entrepreneurial self-efficacy, and to assess whether competitive strategy significantly mediates the effect of entrepreneurial orientation on firm performance.

2. Conceptual Review

2.1. Concept of Entrepreneurial Orientation

Entrepreneurial Orientation (EO) refers to the processes, practices, and decision-making activities that lead organizations toward new ventures, innovation, and proactive strategies in uncertain environments. It encompasses the firm's willingness to take risks, engage in innovative activities, and respond proactively to opportunities and competitive threats (Covin & Wales, 2019). EO is often seen as a critical factor in driving firm growth and success, particularly in industries with rapid technological changes and high levels of competition. Scholars have linked EO to organizational outcomes like performance, flexibility, and market responsiveness (Li et al., 2020). In this context, EO is not just about individual entrepreneurship but represents a collective orientation of a firm toward entrepreneurial action (Miller, 2011).

The concept of EO is closely associated with strategic management, where firms that display high EO are better equipped to adapt to market changes, exploit new opportunities, and innovate more effectively. These firms tend to embrace uncertainty and navigate the complexities of dynamic business environments by fostering a culture of experimentation and learning (Wales et al., 2021). In addition, EO is critical in sustaining competitive advantage as firms explore new markets, technologies, and business models, facilitating long-term success (Engelen et al., 2021).

2.2. Concept of Firm Performance

Firm performance refers to how well an organization achieves its financial and non-financial goals, reflecting its overall health and success in the market. Performance

is often measured in terms of profitability, market share, and return on assets, but it can also include intangible aspects such as customer satisfaction, employee engagement, and innovation capabilities (Aziz et al., 2020). Firm performance is influenced by multiple factors, including internal processes, organizational culture, external market conditions, and strategic decision-making (De Villiers et al., 2022). Effective resource utilization and alignment with competitive strategies play a crucial role in shaping a firm's performance outcomes.

Recent studies emphasize the importance of adopting a holistic view of firm performance, combining financial metrics with sustainability, innovation, and stakeholder engagement to gain a comprehensive understanding of organizational success (Atalay et al., 2023). Moreover, companies that integrate technological advancements and innovative practices into their business models tend to outperform their peers, as they can better adapt to changes in the external environment and capitalize on emerging opportunities (Ntim et al., 2023). In this regard, firm performance is not static but a dynamic construct influenced by both short-term actions and long-term strategic decisions.

2.3. Concept of Competitive Strategy

Competitive strategy involves the long-term planning and decision-making process that firms use to achieve a competitive advantage in the marketplace. It focuses on how firms position themselves in their industry in relation to competitors, aiming to deliver unique value to customers which cannot be easily replicated. Companies develop competitive strategies by analyzing market forces, customer needs, and competitor behaviors, and then choosing approaches such as cost leadership, differentiation, or market focus to outperform rivals (Chen et al., 2022). By aligning internal resources with external opportunities, firms can effectively establish a competitive position that drives long-term success.

In contemporary business environments, where market conditions change rapidly due to globalization and technological innovations, firms must continually refine their competitive strategies. Increasingly, competitive strategies integrate elements of agility and digital transformation, allowing organizations to quickly pivot in response to evolving customer demands and technological disruptions (Iriyama et al., 2021). This shift from traditional competitive frameworks to more adaptive and agile strategies reflects the growing importance of flexibility and innovation in sustaining competitive advantage over time (Wang & Zhou, 2021).

2.4. Effect of Entrepreneurial Orientation on Firm Performance

Entrepreneurial Orientation (EO) refers to a firm's strategic posture, characterized by innovativeness, risk-taking, and proactiveness. The relationship between EO and firm performance has been extensively explored, and there is strong empirical evidence supporting the positive effects of EO on firm performance, particularly in competitive and dynamic markets. Firms that adopt high EO tend to have a higher capacity to exploit new opportunities, leverage innovations, and adapt to market changes, leading to better

overall performance. Studies suggest that EO enables firms to outperform competitors by introducing novel products, improving processes, and entering new markets (Saleh & Athari, 2023; Yang & Aumeboonsuke, 2022). Moreover, EO enhances a firm's ability to exploit resources and capabilities efficiently, thus leading to superior financial and operational performance outcomes. This alignment of entrepreneurial activities with firm goals meaningfully boosts competitive advantage, especially in industries marked by technological advancements and customer-driven changes (He & Puttawong, 2024).

However, the relationship between EO and performance is not always direct or linear. Some studies highlight that external factors such as market conditions, industry volatility, and firm size can moderate the effect of EO on performance (Yang & Aumeboonsuke, 2022). For instance, firms operating in highly competitive environments may find that EO contributes to performance only when supported by strategic resources like human capital and technology. The degree to which a firm is able to sustain high EO over time also affects its performance, with firms that adapt their EO strategies to evolving market conditions typically achieving better long-term success (Sefnedi et al., 2023). Furthermore, entrepreneurial ventures may experience varying levels of performance based on their ability to transform their EO into tangible market offerings.

2.5. Entrepreneurial Orientation and Firm Performance: Competitive Strategy as a Mediator

The relationship between Entrepreneurial Orientation (EO) and firm performance is further complicated by the role of competitive strategy as a mediating factor. EO alone does not guarantee improved performance; rather, the presence of a coherent competitive strategy, such as cost leadership or differentiation, can significantly enhance the translation of EO into successful outcomes. Competitive strategies provide a structured approach to managing the inherent risks and innovations associated with EO, aligning them with market demands. Empirical research suggests that competitive strategy helps to operationalize EO by focusing entrepreneurial efforts on specific market niches or cost advantages, which in turn, leads to enhanced firm performance (Yang & Aumeboonsuke, 2022; Sefnedi et al., 2023). Without such strategic focus, entrepreneurial activities may remain disjointed, limiting the impact of EO on key performance indicators.

Moreover, competitive strategies act as a buffer between EO-driven initiatives and market volatility, allowing firms to navigate competitive pressures more effectively. For instance, firms that adopt a differentiation strategy are better able to align their innovative activities with customer preferences, thereby enhancing their market position and financial performance (Johnson & Lee, 2021). Similarly, firms pursuing cost leadership can use EO to innovate production processes, reducing costs while maintaining profitability. In both cases, the strategic approach serves as a mediator that not only enhances the direct effects of EO but also mitigates potential risks associated with over-commitment to risky entrepreneurial ventures (He & Puttawong, 2024; Saleh & Athari, 2023).

2.6. Effect of Innovativeness on Entrepreneurial Performance

Innovativeness, while essential for maintaining a competitive advantage in entrepreneurship, can create significant challenges for productivity. Entrepreneurs who consistently prioritize innovation may divert attention from core operational tasks, leading to inefficiencies. The drive for novelty often results in frequent shifts in strategy and product development, which can overload resources and stretch timelines, negatively affecting productivity (Arcuri et al., 2024; Kiiru et al., 2023). Moreover, the integration of new ideas and technologies can disrupt established workflows, as it requires continuous training and adaptation, further diminishing short-term productivity (Huang et al., 2022).

Furthermore, while innovation can enhance long-term success, it can also lead to decision paralysis when too many options are explored. Entrepreneurs may struggle to balance creative exploration with the discipline required to execute ideas efficiently. Over-innovation without clear execution plans can lead to wasted resources and reduced focus on achieving tangible business outcomes (Sugiyanto & Wijayanti, 2023). Consequently, while innovativeness is a critical entrepreneurial trait, its impact on productivity depends heavily on how well innovation efforts are managed and aligned with operational goals (Li et al., 2020).

2.7. Effect of Proactiveness on Entrepreneurial Performance

Proactiveness allows entrepreneurs to anticipate market changes and seize opportunities, but it can also reduce their adaptability in dynamic environments. Entrepreneurs who act too quickly on emerging trends or market shifts may lock themselves into rigid strategic paths, which can limit their ability to respond flexibly to unexpected challenges (Mungai et al., 2019; Zhao & Smallbone, 2019). This overcommitment to proactive strategies may lead to resistance to change when conditions evolve, reducing the entrepreneur's ability to pivot effectively in volatile markets.

Moreover, while proactiveness encourages early action and leadership in the market, it may lead to missed opportunities for collaboration and learning from competitors. Entrepreneurs focused solely on being ahead may become less receptive to new information, further limiting their adaptability (Huang, 2014). In essence, while proactiveness offers competitive advantages, it requires a careful balance with adaptability to ensure long-term entrepreneurial success in rapidly changing environments (Ng'aru et al., 2018).

2.8. Effect of Autonomy on Entrepreneurial Performance

Autonomy is often hailed as a vital factor in entrepreneurial success, fostering independence and self-reliance. However, excessive autonomy can diminish self-efficacy when entrepreneurs face complex decisions without sufficient support or feedback (Shir et al., 2019; Tufa, 2021). Isolation from collaborative networks or feedback loops can create a sense of doubt, leading entrepreneurs to question their capabilities, particularly in high-stakes or uncertain situations. This lack of external validation can erode confidence, limiting the ability to make sound decisions.

Moreover, while autonomy enhances entrepreneurial creativity and freedom, it may also lead to burnout, especially when individuals feel solely responsible for all aspects of their business (Park, 2022; Klösel, 2022). Without adequate social or structural support, the pressures of autonomy can overwhelm entrepreneurs, further weakening their self-efficacy. In such cases, fostering a balance between autonomy and collaborative support is crucial to maintaining self-confidence and promoting sustainable decision-making abilities.

3. Dynamic Capability Theory

The Dynamic Capability Theory, developed by David Teece in the early 1990s, emphasizes the necessity for firms to adapt and innovate in rapidly changing environments to achieve a competitive advantage (Teece, 2007). The theory is based on the assumptions that firms operate in dynamic environments, possess heterogeneous resources, and can develop routines that enhance their capacity to reconfigure resources (Zahra et al., 2006). Despite criticisms regarding its empirical specificity and emphasis on managerial foresight, it provides a framework for understanding the mediating role of competitive strategy in the relationship between entrepreneurial orientation and firm performance (Eisenhardt & Martin, 2000).

Numerous studies have leveraged the Dynamic Capability Theory to explore its implications for small and medium enterprises (SMEs). For instance, Hsu and Fang (2020) found that dynamic capabilities significantly mediate the impact of entrepreneurial orientation on firm performance, while Hsieh et al. (2021) noted that firms employing dynamic capabilities in their competitive strategies achieve superior performance. This body of research supports the theory's relevance in understanding how competitive strategies can facilitate the translation of entrepreneurial orientation into improved performance outcomes (Zahra & George, 2002).

The inclusion of competitive strategy within the EO and performance framework in the context of the Dynamic Capability Theory is justified as it represents the operationalization mechanism through which entrepreneurial orientation (EO) translates into performance outcomes. While EO embodies the firm's innovative, proactive, and risk-taking proclivities, these capabilities alone cannot generate superior performance without strategic deployment (Teece, 2007). Competitive strategy serves as the deliberate manifestation of dynamic capabilities, providing the strategic direction that channels entrepreneurial resources toward specific market positions (Zahra & George, 2002). As Hsu and Fang (2020) assert, dynamic capabilities must be embedded within coherent competitive strategies to create value. This relationship is empirically supported by studies like Hsieh et al. (2021), which demonstrate that entrepreneurial firms achieve optimal performance when their dynamic capabilities are aligned with targeted competitive strategies. Thus, competitive strategy is not merely an adjunct to dynamic capabilities but a critical intermediary component that transforms entrepreneurial orientation into actionable market positions, ultimately determining how effectively firms can leverage their dynamic capabilities to achieve competitive advantage in volatile environments.

Several empirical studies have been conducted that are closely related to this study. Yaqub et al. (2024) examined the complementarity of entrepreneurial and market orientation

in enhancing SME performance in Pakistan, focusing on the mediating roles of marketing capabilities and competitive strategies. Using a survey design with 400 SME executives and PLS-SEM analysis, they found that both market orientation and entrepreneurial orientation enhance firm performance directly and indirectly, with marketing capabilities and competitive strategies serving as mediators. The research concluded that fostering market and entrepreneurial orientation, along with developing marketing capabilities and competitive strategies, is crucial for improving SME performance in developing countries, adding to the literature by demonstrating these mediating relationships.

Olaleye et al. (2024) investigate the impact of competitive intelligence effectiveness on small and medium enterprise (SME) performance, with a focus on the mediating role of entrepreneurial orientation. While the authors and specific location are not specified, the research employs a quantitative approach, using survey design and structural equation modeling (SEM) to analyze data collected through structured questionnaires from an SME population. The findings reveal that competitive intelligence effectiveness positively influences SME performance, with entrepreneurial orientation serving as a mediator in this relationship, indicating that firms with higher entrepreneurial orientation derive greater benefits from effective competitive intelligence. The research concludes that competitive intelligence represents a valuable asset for SMEs, particularly when combined with strong entrepreneurial orientation, suggesting that fostering entrepreneurial practices can enhance competitive intelligence effectiveness and ultimately drive improved business performance. This study highlights the importance of integrating competitive intelligence with entrepreneurial practices to achieve business success in SMEs.

Rodriguez and Kim (2024), in their study of 678 firms across multiple industries, found that the risk-taking dimension of EO had the strongest relationship with competitive strategy development ($r = 0.52$), followed by innovativeness ($r = 0.48$), and proactiveness ($r = 0.43$). Their mixed-method approach combined survey data with semi-structured interviews of senior executives. Complementing these findings, Park and Anderson (2023) analyzed 445 service sector companies, demonstrating that firms with high levels of all three EO dimensions were 2.3 times more likely to develop successful differentiation strategies compared to firms with low EO scores.

Zhang and Liu (2023) conducted a comprehensive meta-analysis of 127 studies involving 28,543 firms, revealing that competitive strategy significantly mediates the relationship between EO and performance metrics, with an average mediation effect of 0.42. Their study, "The Mediating Role of Competitive Strategy in the EO-Performance Relationship: A Meta-Analytic Review," employed structural equation modeling to demonstrate that firms with strong EO are more likely to develop effective competitive strategies, which in turn leads to enhanced performance. Similarly, Ramirez et al. (2022) analyzed data from 342 SMEs in emerging markets, finding that differentiation strategies showed the strongest mediating effect ($\beta = 0.38$, $p < 0.001$) between EO and financial performance.

Ahmed and Wilson (2023) studied 234 startups and established firms, finding that competitive strategy more strongly mediates the EO-performance relationship in mature organizations ($\beta = 0.51$) compared to startups ($\beta = 0.34$). Their research, "Strategic Mediation Across Organizational Life Cycles," employed hierarchical regression analysis and structural

equation modeling. Similarly, Lee and Martinez (2022) examined 567 firms of varying sizes, revealing that medium-sized enterprises experienced the strongest mediation effect ($\beta = 0.47$), followed by large corporations ($\beta = 0.41$), and small businesses ($\beta = 0.33$).

Linton and Kask (2017) investigated how configurations of entrepreneurial orientation sub-dimensions and competitive strategy influence firm performance in Sweden. Using qualitative comparative analysis with a sample of 67 Swedish small firms, data were collected through interviews and analyzed using fuzzy-set QCA. The study identified three ideal configurations associated with high firm performance, including different combinations of entrepreneurial orientation sub-dimensions (risk-taking, proactiveness, and innovativeness) and competitive strategies (differentiation and cost leadership). The research concluded that entrepreneurial orientation sub-dimensions, when aligned with competitive strategies, notably influence firm performance in a non-linear way, supporting entrepreneurial orientation as a formative construct and highlighting the importance of contingency fit in achieving high performance.

Lechner and Gudmundsson (2014) explored the relationship between entrepreneurial orientation, firm strategy, and small firm performance in France. Using qualitative comparative analysis (QCA) with a sample of 67 French firms, data were collected through interviews and analyzed using fuzzy-set QCA. The study identified two ideal configurations associated with high firm performance: one focused on a differentiation strategy combined with innovativeness and proactiveness, and another based on a mixed strategy characterized by risk aversion, reactivity, and low innovativeness. They concluded that entrepreneurial orientation sub-dimensions, when aligned with competitive strategies, can significantly influence firm performance in a non-linear way, also supporting the view of entrepreneurial orientation as a formative construct and highlighting the importance of contingency fit.

3.1. Hypotheses Development

Based on the above reviewed studies, the following hypotheses are proposed:

- *H1: Innovativeness has a positive influence on entrepreneurial performance.*
- *H2: Proactiveness has a positive influence on entrepreneurial performance.*
- *H3: Autonomy has a positive influence on entrepreneurial performance.*
- *H4: Competitive strategy mediates the relationship between EO measures and entrepreneurial performance.*

4. Methodology

A descriptive survey design was employed in this study to gather information from a population of participants and describe the phenomenon. This study was conducted using registered SMEs in Kwara State. This location is particularly important to be examined due to the high rising rate of registered SMEs in the state over the years, which can be attributed to the existence of thriving SMEs in the state. The population of this study consisted of 1,416 registered SMEs in Kwara State. To determine the appropriate sample size, simple random sampling was used to select the entrepreneurs, which ensures

that each participant has an equal chance of being selected. Taro Yamane's sample size determination formula was used, where sample size (n) = population (N)/1+N*error rate squared (e2). $n = N / (1 + N e^2)$. $n = 1416 / (1 + 1416 * 0.052)$. $n = 312$. Hence, the final sample size was calculated to be 312 SMEs. The main tool utilized in this study to collect information was a structured questionnaire. This was administered in person to the respondents (SME owners/managers) at their offices, and later validated through experts in the field of management studies to confirm the face validity of the questionnaire.

Construct validity was employed in this study to examine the questionnaire's convergent and divergent validity through average variance extracted (AVE) and the Fornell-Larcker Criterion to determine whether the questionnaire's items accurately reflect the notion of measuring competitive strategy as a mediator of the effect of entrepreneurial orientation on firm performance. A Cronbach's Alpha and composite reliability analysis were conducted to assess the internal consistency of the questionnaire. To evaluate the impact of the independent factors on the dependent variable, partial least square structural equation modeling (PLS-SEM) was employed. This technique is particularly suitable for the present study compared to other techniques, such as covariance-based structural equation modelling (CB-SEM), due to the nature of the model, the type of constructs, and the relatively moderate sample size.

4.1. Model Specification

This research report has one independent variable, one mediator variable, and one dependent variable. The independent variable is entrepreneurial orientation, the mediator is competitive strategy, and the dependent variable is firm performance. Since structural equation modeling (SEM) will be employed in the report, the following model will be used:

FP = f (Innovativeness [NPD + ME+ TA] + Proactiveness [MA+ OS+ FT] + Autonomy [DC+ SG+ MF])

Where:

- FP** = Firm Performance
- NPD** = New Product Development
- ME** = Market Exploration
- TA** = Technology Advancement
- MA** = Market Anticipation
- OS** = Opportunity Seeking
- FT** = Forward Thinking
- DC** = Decision Control
- SG** = Self-Governance
- MF** = Managerial Flexibility

Variable Measurement

Construct	Measurement Items	Sources
Firm Performance	Productivity, Adaptability, Self-Efficacy	Linton and Kask (2017)
Innovativeness	New Product Development, Market Exploration, Technology Advancement	Olaleye et al. (2024)

Proactiveness	Market Anticipation, Opportunity Seeking, Forward Thinking	Linton and Kask (2017)
Autonomy	Decision Control, Self-Governance, Managerial Flexibility	Yaqub et al. (2024)
Competitive Strategy	Differentiation Strategy, Focus Strategy	Lechner and Gudmundsson (2014)

4.2. Results

4.2.1. Response Rate

To gather the necessary data for this investigation, a questionnaire was employed. A total of 275 replies, or 88.1% of the anticipated sample size, were recorded; 37 more responses are needed to reach the predicted sample size. Therefore, the data used in this study consists of legitimate replies.

Table 1. Descriptive Analysis and Normality Test

	Mean	Standard Deviation	Excess Kurtosis	Skewness	Number of Observations
Desicion Control	3.105	0.961	-0.160	-0.485	275.000
Differentiation Strategy	2.993	1.125	-0.791	-0.201	275.000
Entrepreneurial Performance	3.313	0.893	-0.564	-0.134	275.000
Entrepreneurial Performance	2.927	0.966	-0.364	0.244	275.000
Entrepreneurial Performance	3.291	0.970	-0.679	0.062	275.000
Focus Strategy	2.538	1.013	-0.770	0.033	275.000
Foward Thinking	3.196	1.140	-0.676	-0.258	275.000
Managerial Flexibility	2.789	1.058	-0.689	-0.163	275.000
Market Anticipation	3.273	0.951	-0.598	-0.034	275.000
Market Exploration	3.240	1.173	-0.729	-0.231	275.000
New Product Development	3.324	1.188	-0.929	-0.125	275.000
Opportunity Seeking	3.095	1.058	-0.743	-0.097	275.000
Self - Governance	3.040	1.106	-0.844	-0.193	275.000
Technology Advancement	2.567	1.022	-0.515	0.104	275.000

Source: SmartPLS Output, 2024

Table 1 displays the means and standard deviation of the variables/indicators used in this study. These values were obtained from responses to the questionnaire. The study examined how competitive strategy mediated the relationship between business success and entrepreneurial orientation. A number of important variables were evaluated, each offering insight into a distinct facet of the relationship between firm performance and entrepreneurial orientation. For both academics and practitioners, the mean scores, standard deviations, and number of observations used for each indicator offer insightful information and important consequences. The respondents' perception of competitive strategy as a mediator of entrepreneurial orientation, and its strong connection to company success, is reflected in the comparatively high mean scores of the questions, each exceeding 3. Additionally, the low standard deviations in every instance suggest that the responses showed little variation from the mean. These descriptive findings highlight the complex

relationship between entrepreneurial orientation and competitive strategy as a modulator of company success, and emphasize the significance of a successful competitive strategy as a mediator between entrepreneurial orientation and firm performance.

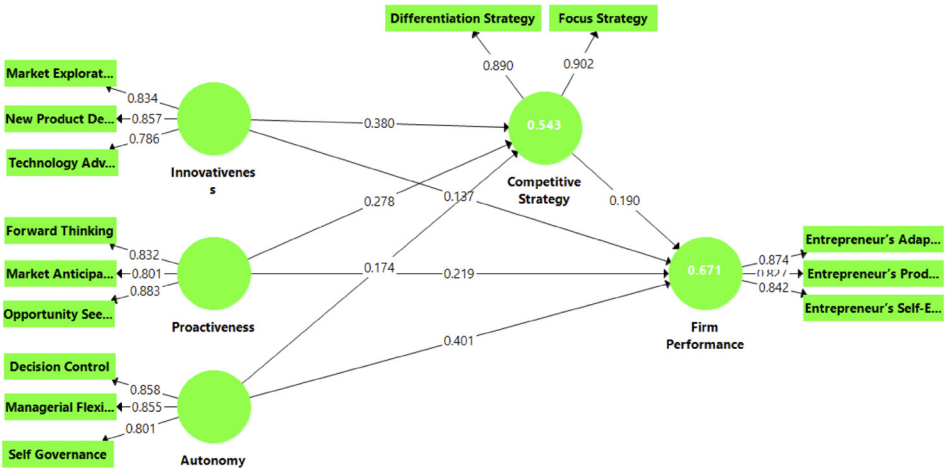
The sample size is bigger than 100, which means that an absolute value of +1 for skewness 0 or less is required for the data to be normal, corresponding to the distribution's normality results. Additionally, for kurtosis, a typical peak should have an absolute value of ± 3.0 since any result below that threshold might be serious and cause worry. According to the normality results, every variable fell below the ± 1.0 absolute value barrier, and the kurtosis results likewise fell within the ± 3.0 absolute value. The results of the normality test indicate that all of the data entered for the study are normally distributed and suitable for additional analysis and deductions.

This suggests that all of the variables used to assess the role of competitive strategy as a mediator of entrepreneurial orientation have moderate means, low deviation from the mean, and follow a normal distribution. This indicates that the variables are suitable for establishing the causal relationship between entrepreneurial orientation and firm performance when an effective competitive strategy is used as a mediator.

4.2.2. Assessment of Measurement Model

Innovativeness, proactiveness, and autonomy are the variables used to measure entrepreneurial orientation, while differentiation strategy and focus strategy are used to measure competitive strategy in relation to firm performance, which is assessed through entrepreneurs' productivity, adaptability, and self-efficacy. This approach is intended to ascertain how competitive strategy mediates the effect of entrepreneurial orientation on firm performance.

Figure 1. A path model of competitive strategy, entrepreneurial orientation, and firm performance



Source: SmartPLS Output, 2024

Figure 1 highlights the path model for firm performance, entrepreneurial orientation, and competitive strategy. When multiple indicators contribute to the latent

variables, their interaction effects are illustrated in the figure. It has been shown that the greater the number of indicators for a latent variable, the lower the maximum and average outer weights. The outer weights range from zero to an absolute maximum of less than 1. Since all loading weights are greater than or approximately equal to 0.50, the results support the conclusion that there are no weak loadings in the outer model. Additionally, these factors are key components of the latent variables identified in the literature.

Table 2. Descriptive Analysis and Normality Test

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Autonomy	0.788	0.876	0.703
Competitive Strategy	0.755	0.891	0.803
Firm Performance	0.805	0.885	0.719
Innovativeness	0.767	0.865	0.682
Pro-activeness	0.792	0.877	0.705

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

Table 2 outlines important statistical metrics pertaining to the validity and construct reliability of the four latent variables in this investigation. These metrics help evaluate how effectively these variables quantify the fundamental ideas they are intended to represent. Cronbach's Alpha and Composite dependability are the two main measures used to assess construct dependability. Cronbach's Alpha assesses the internal consistency of a latent variable by evaluating the extent to which each item is related to every other item. High quality is demonstrated by the internal consistency scores of the five latent variables, which are above 0.7. Since these values are well above the widely accepted cutoff of 0.7, they suggest that the items within each variable serve as reliable indicators of the corresponding constructs. Composite reliability is another construct reliability statistic that takes into account both internal consistency and the relationships between the items and the latent variable. All of the variables in this study show strong composite dependability, providing a more robust measure of reliability, with all values exceeding 0.7. The high values of the latent variables suggest that they are reliable predictors of the constructs they represent.

Table 2 also presents the Average Variance Extracted (AVE), which evaluates the convergent validity of each latent variable. Convergent validity is the degree to which items in a variable measure the same underlying notion and are connected. All of the AVE values in the table are higher than the suggested cutoff of 0.5. This suggests that each latent variable's items are converging well and measuring their respective constructs as a whole. The findings imply that the latent variables in this study have high construct validity and reliability. The choice of these variables as valid and dependable measures in the study is supported by their strong composite reliability, high internal consistency, and solid convergent validity.

Table 3. Discriminant Validity

	Autonomy	Competitive Strategy	Firm Performance	Innovativeness	Pro-activeness
Autonomy	0.838				

Competitive Strategy	0.602	0.896			
Firm Performance	0.748	0.666	0.848		
Innovativeness	0.647	0.680	0.673	0.826	
Pro-activeness	0.658	0.648	0.698	0.674	0.839

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

According to the findings of the discriminant validity analysis in Table 3, the correlation coefficients between each of the following constructs—autonomy, innovativeness, proactiveness, competitive strategy, and firm performance—are smaller than the square root of the average variance extracted (AVE) for each of these constructs. This implies that each concept is different and distinctive from the others, indicating strong discriminant validity. In particular, the diagonal values are greater than the corresponding off-diagonal values (correlation coefficients) between constructs and represent the square root of AVE for each construct. The square root of AVE for autonomy, for instance, is greater than its correlations with any other component. All of the constructs exhibit this pattern, indicating that they measure distinct elements and do not have a strong correlation with one another. This suggests that there is no substantial duplication or redundancy in the assessment items across constructs, and that the scales used to evaluate these constructs are effective in distinguishing between them. This implies that the constructs are distinct and appropriate measurements for the study's objectives.

4.2.3. Multicollinearity

This evaluates the correlation of the independent variable in order to determine whether two independent variables are not associated and yielding similar results. In this study, the expected association between the independent variables is evaluated using the variance inflation factor (VIF).

Table 4. Inner VIF Values

	Autonomy	Competitive Strategy	Firm Performance	Innovativeness	Pro-activeness
Autonomy		2.035	2.100		
Competitive Strategy			2.187		
Firm Performance					
Innovativeness		2.115	2.431		
Pro-activeness		2.167	2.336		

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

Table 4 illustrates the VIF values for a number of latent variables pertaining to competitive strategy and its effect on firm performance. The VIF values for each of these factors—autonomy, innovativeness, proactiveness, and overall competitive strategy—are well below the cutoff point of 10, suggesting that there is no significant multicollinearity between them. This implies that there is little correlation between the variables pertaining to competitive strategy and firm performance. Therefore, the reliability of the results is

adversely affected by the inclusion of these variables in the research analysis without any worries about multicollinearity.

4.2.4. Test of Hypothesis

Table 5. Coefficient of Determination Score

	R Square	R Square Adjusted
Autonomy	0.543	0.538
Competitive Strategy	0.671	0.666

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

Table 5 shows the coefficient of determination or R-squared, which is a metric used to evaluate the model's goodness of fit. The R-squared value for the Competitive Strategy model is 0.543. This number indicates that the independent variables included may account for around 54.3% of the variance in the dependent variable, meaning it is probably related to competitive strategy. This suggests that the model explains the variation in competition strategy influencing the entrepreneurial orientation in a meaningful way. In contrast, the Firm Performance model shows a higher R-squared value of 0.671. This indicates that the independent variables in the model account for around 67.1% of the variance in firm performance. It seems that this model can adequately explain the variation in firm performance.

Additionally, the R-squared value of the Firm Performance model is significantly greater than that of the Competitive Strategy model. This suggests that the competitive strategy does account for a substantial amount of the diversity in business performance. As a result, entrepreneurial orientation is mediated by competitive strategy, which has a major impact on the performance of a firm.

Table 6. Assessment of the Effect Size (f2)

	Autonomy	Competitive Strategy	Firm Performance	Innovativeness	Pro-activeness
Autonomy		0.032	0.233		
Competitive Strategy			0.050		
Firm Performance					
Innovativeness		0.149	0.023		
Pro-activeness		0.078	0.063		

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

In statistical analysis, the effect size, which is commonly represented as f-square and is illustrated in Table 6, quantifies the strength of the correlation or influence of independent variables on a dependent variable. Every latent variable has a moderate effect size, as shown by an f-square value greater than 0.02. This implies that any latent factors, which account for more than 2% of the variation in firm performance, have a significant impact on firm performance. Every latent variable related to competitive strategy has an f-square value greater than 0.02, suggesting a small effect size. This indicates that any

latent factors, which account for more than 2% of the variability in competitive strategy, have a significant impact on competitive strategy. This suggests that proactiveness, innovativeness, and autonomy have observable effects on firm performance.

Table 7. Bootstrapping Results Showing Path Coefficient for Structural Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Autonomy -> Competitive Strategy	0.174	0.172	0.063	2.775	0.006
Autonomy -> Firm Performance	0.401	0.405	0.047	8.486	0.000
Competitive Strategy -> Firm Performance	0.190	0.187	0.051	3.710	0.000
Innovativeness -> Competitive Strategy	0.380	0.381	0.077	4.929	0.000
Innovativeness -> Firm Performance	0.137	0.141	0.061	2.240	0.026
Pro-activeness -> Competitive Strategy	0.278	0.280	0.070	3.969	0.000
Pro-activeness -> Firm Performance	0.219	0.214	0.057	3.869	0.000

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

The null hypothesis, according to which competitive strategy does not significantly mediate the influence of entrepreneurial orientation on a firm's performance, was tested using the bootstrap route coefficient analysis shown in Table 7. The findings suggest that the association between a firm's performance and entrepreneurial orientation is mediated by competitive strategy. Furthermore, the relationship between entrepreneurial orientation and firm performance is notably mediated by competitive strategy in all cases, based on the analysis of each path, particularly from autonomy, innovativeness, and proactiveness to competitive strategy, and from competitive strategy to firm performance. Strong evidence to reject the null hypothesis is supported by T statistics greater than 1.96 and p-values below the conventional significance level of 0.05. As a result, the link between a firm's performance and entrepreneurial orientation is considerably mediated by competitive strategy.

Table 8. Mediation Effect

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision	VAF (IEO/TEO)	Mediation Type
Autonomy -> Competitive Strategy -> Firm Performance	0.033	0.016	2.120	0.035	Supported	8.229	No Mediation

Innovativeness -> Competitive Strategy -> Firm Performance	0.072	0.021	3.395	0.001	Supported	52.555	Partial Mediation
Proactiveness -> Competitive Strategy -> Firm Performance	0.053	0.022	2.411	0.016	Supported	24.201	Partial Mediation

Source: Authors' compilation using SmartPLS 3.2.9 Output, 2024

Table 8 reveals varying degrees of mediation by competitive strategy in the relationship between entrepreneurial orientation dimensions and firm performance. Specifically, while autonomy has a statistically significant indirect effect on firm performance through competitive strategy ($p = 0.035$), the very low variance accounted for a value adjustment factor (VAF) of 8.229% indicates that no substantial mediation is occurring. In contrast, both innovativeness and proactiveness demonstrate stronger indirect effects through competitive strategy, with p -values of 0.001 and 0.016, respectively. The VAF value for innovativeness (52.555%) indicates that slightly more than half of its total effect on firm performance is transmitted through competitive strategy, constituting partial mediation. Similarly, proactiveness shows partial mediation with a VAF of 24.201%, suggesting that approximately one-quarter of its effect on firm performance occurs via the competitive strategy pathway. This implies that, while autonomy directly influences firm performance with minimal mediation, both innovativeness and proactiveness substantially work through competitive strategy to enhance performance, implying that SMEs should particularly focus on developing strong competitive strategies to maximize the benefits of their innovative and proactive entrepreneurial orientations.

5. Discussion of Findings

Under the premise that competitive strategy does not meaningfully mediate the influence of entrepreneurial orientation on firm performance, the study aimed to determine how competitive strategy mediates the relationship between entrepreneurial orientation and firm performance. The analysis of the relationship between innovativeness and entrepreneurial performance (H1) shows a significant positive direct effect with a path coefficient of 0.137 ($p = 0.026$). This finding indicates that innovative practices and approaches adopted by SMEs significantly contribute to their performance outcomes. The ability to introduce new products, services, or processes appears to give these entrepreneurs a competitive edge in their respective markets. Additionally, the mediation analysis reveals that innovativeness has a substantial indirect effect on firm performance through competitive strategy (0.072, $p = 0.001$), with 52.555% of its total effect being mediated. This suggests that more than half of the impact of innovativeness on performance is channeled through the competitive strategies that innovative firms develop. This finding aligns with the study by Olaleye et al. (2024), which demonstrated that innovative entrepreneurial orientation notably enhances firm performance.

Regarding proactiveness and entrepreneurial performance (H2), the results demonstrate a significant positive direct relationship with a path coefficient of 0.219 ($p = 0.000$). This indicates that SMEs in Ilorin that take initiative, anticipate future problems or needs, and act ahead of competitors achieve better performance outcomes. The proactive approach enables entrepreneurs to capitalize on emerging opportunities before their competitors, securing advantageous market positions. The mediation analysis shows that proactiveness also affects firm performance indirectly through competitive strategy (0.053, $p = 0.016$), with a VAF of 24.201%, indicating partial mediation. This suggests that approximately one-quarter of proactiveness's effect on performance is realized through the competitive strategies these firms implement. These findings are consistent with the research of Yaqub et al. (2024), which found that proactive entrepreneurial behavior positively influences firm performance, particularly in dynamic market environments where anticipating market changes provides significant advantages.

An analysis of the influence of autonomy on entrepreneurial performance (H3) reveals the strongest direct effect among the three dimensions, with a path coefficient of 0.401 ($p = 0.000$). This suggests that independence in decision-making and freedom to pursue opportunities without organizational constraints significantly enhance performance for SMEs in Ilorin. The ability to make timely decisions without bureaucratic hindrances appears to be particularly valuable in the local business environment. The mediation analysis shows a statistically significant but small indirect effect through competitive strategy (0.033, $p = 0.035$), with a very low VAF of 8.229%, classified as "no mediation." This indicates that autonomy primarily influences performance directly, rather than through the formulation of competitive strategy. These findings contrast somewhat with Olaleye et al. (2024), who found more moderate effects of autonomy on firm performance, suggesting that the importance of autonomous decision-making might be particularly pronounced in the context of SMEs compared to other industries.

The findings regarding competitive strategy as a mediator between entrepreneurial orientation measures and entrepreneurial performance (H4) show varying results across the three dimensions. Competitive strategy significantly mediates the relationship between innovativeness and firm performance (partial mediation, VAF = 52.555%) and between proactiveness and firm performance (partial mediation, VAF = 24.201%), but exhibits negligible mediation for autonomy (VAF = 8.229%). These findings indicate that competitive strategy plays an important role in translating innovative and proactive entrepreneurial orientations into superior performance but has limited influence on how autonomy affects performance. The significant path coefficient from competitive strategy to firm performance (0.190, $p = 0.000$) confirms that strategic positioning in the market directly enhances business outcomes for these SMEs. These findings are supported by Lechner and Gudmundsson (2014), who emphasized the critical role of strategic processes in realizing the performance benefits of entrepreneurial orientation, although their work suggested more uniform mediation effects across different dimensions than those observed in this study on SMEs.

5.1. Practical and Theoretical Implications

This study revealed the nuanced relationship between entrepreneurial orientation, competitive strategy, and firm performance in SMEs. Practically, the findings suggest that SME owners and managers should prioritize different aspects of entrepreneurial orientation depending on their strategic objectives—with autonomy being most effective for direct performance improvements, while innovativeness delivers substantial benefits through well-formulated competitive strategies. Theoretically, the study advances the understanding of the mediating role of competitive strategy in the EO-performance relationship, demonstrating that this mediation is not uniform across all EO dimensions. The strong mediation effect for innovativeness compared to proactiveness and the negligible mediation for autonomy challenges the conventional view of entrepreneurial orientation as a unidimensional construct with uniform effects on performance. Instead, it supports a multidimensional conceptualization where each dimension operates through distinct mechanisms to influence firm outcomes, thereby extending Lechner and Gudmundsson's (2014) firm strategy, while providing empirical evidence that supports the study's initial premise that competitive strategy significantly mediates the effect of entrepreneurial orientation on performance.

6. Conclusions

This study investigated the mediating role of competitive strategy in the relationship between entrepreneurial orientation dimensions (innovativeness, proactiveness, and autonomy) and firm performance among SMEs. The findings reveal that all three entrepreneurial orientation dimensions positively influence firm performance, yet through different mechanisms. Autonomy demonstrates the strongest direct effect on performance with minimal mediation through competitive strategy, suggesting its impact is largely independent of strategic positioning. In contrast, innovativeness shows a substantial mediation effect through competitive strategy, with over half of its influence on performance channeled through strategic choices. Proactiveness exhibits a moderate mediation effect, with approximately one-quarter of its impact on performance occurring through competitive strategy. These findings support the initial premise that competitive strategy significantly mediates the entrepreneurial orientation-performance relationship, demonstrating that the mediating role varies significantly across different entrepreneurial orientation dimensions. This highlights the complex interplay between entrepreneurial behaviors, strategic decisions, and performance outcomes in SMEs, indicating that entrepreneurs must balance direct entrepreneurial actions with strategic considerations to maximize firm performance.

6.1. Recommendations

Based on the findings, SME owners and managers, as well as other relevant industries should adopt a differentiated or focused approach to entrepreneurial orientation that recognizes the varying mechanisms through which each dimension affects

performance. They should create organizational structures that maximize autonomy in decision-making, since this directly impacts performance with minimal dependence on competitive strategy. Furthermore, investments in innovation should be closely aligned with competitive strategy formulation, as the majority of innovation's benefits are realized through strategic positioning. Proactive market initiatives should be moderately integrated with competitive strategy while maintaining some direct implementation paths. In addition, policymakers and business support organizations should develop tailored programs that help SMEs leverage autonomy for timely decision-making while simultaneously building capabilities for strategic innovation and proactive market positioning.

6.2. Limitations and Future Research Directions

This study, while contributing valuable insights, is constrained by several methodological limitations. The focus on registered SMEs in Ilorin, Kwara State limits generalizability to other geographical contexts or informal businesses. The cross-sectional design captures only a snapshot of the entrepreneurial orientation-performance relationship, preventing causal inferences that a longitudinal approach might offer. Reliance on self-reported measures introduces potential response bias, particularly for performance metrics where objective financial data would be more reliable. The study's examination of only three entrepreneurial orientation dimensions (innovativeness, proactiveness, and autonomy) omits other potentially relevant dimensions, such as risk-taking and competitive aggressiveness. Future research should address these limitations by expanding geographic scope to include comparative analyses across different Nigerian regions or countries, implementing longitudinal designs to track how the mediating role of competitive strategy evolves over time, incorporating objective performance measures alongside subjective assessments, examining additional entrepreneurial orientation dimensions, and investigating how environmental factors (market turbulence, competitive intensity) or organizational characteristics (firm age, size, resources) might moderate the relationships identified in this study.

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