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## ENTREPRENEURIAL INNOVATIVE ORIENTATION PRACTICE: AN EFFECTIVE MEANS FOR ORGANIZATIONAL PERFORMANCE IN NIGERIA LISTED PAINT MANUFACTURING FIRMS

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### ABSTRACT

*Business Operators in manufacturing firms lean towards engagement in entrepreneurial innovative activities. Previous researches have emphasized that Entrepreneurial Orientation (EO) is a key ingredient for firm innovation. However, adequate attention and commitment to issues of Entrepreneurial Innovative Orientations such as new product development, technological, market opportunities, and staff development and how it influences Manufacturing firms have not been well explored in Nigeria. The study evaluated the influence of entrepreneurial innovative orientation on the performance of selected manufacturing firms regarding listed paint manufacturing firms in Nigeria. Both Primary and secondary data were adopted. The primary data were gathered through the use of questionnaires while the secondary was source through financial reports of selected firms from a period of 2014-2019. Three hundred (300) questionnaires were administered on the staff of all eight (6) quoted paint manufacturing firms selected using stratified random and Judgmental techniques. This was done in such a way that all the 8 selected quoted paint manufacturing firms in relevant units (Finance, sales and marketing, research and development, and operations team) have 50 questionnaires each. Data collected was analyzed using Descriptive statistics while regression analysis was used to test the formulated hypothesis. The results ( $R^2 = 0.745$ ;  $F\text{-values} = 35.400$  = and  $P\text{-Value} = 0.000$ ) revealed Entrepreneurial Innovative Orientation such as technological innovation, product development, market opportunity, and staff development had a positive significant effect on the performance of sales and profit of sampled paint manufacturing firms in Nigeria. This study concluded that entrepreneurial innovative orientation had a significant and positive influence on the performance of selected paint manufacturing firms in Nigeria. Therefore, the study recommended that business operators of paint manufacturing firms should embrace Pro-active and performance-based to take advantage of new market emerging dynamics and opportunities that will positively enhance firm performance.*

**Keywords:** *Entrepreneurial Innovative Orientation, Firm Performance, Quoted Paint Manufacturing Firm and Competitive Environment*

## 1.0 INTRODUCTION

Business organizations have stepped up their quest for tactics that will give them a sustainable competitive edge since the start of the last decade when the competitive landscape underwent a significant change due to globalisation. Such strategies generally require the company to continually differentiate its products and processes, i.e. the companies must be constantly innovative (Popadiuk and Choo, 2007). In such a condition, where product and process innovation was seen as an essential prerequisite for organizational survival and success, attention to entrepreneurship orientation and change to an enterprise organization attracted much attention from academic researchers and members of the organization (Wang and Ahmed, 2004). Ireland and Webb (2007) reported that entrepreneurial focus is manifest in developments in goods and processes.

Moreover, it appears that entrepreneurs and managers of manufacturing firms in developing countries seem not to have paid too much attention to creativity, experimentation, and novelty, particularly paint manufacturing firms in Nigeria. Moreso, prior work has not devoted adequate attention to investigating the empirical relationship between entrepreneurial creativity and sales return and income output in paint manufacturing companies. Based on this fact, Busenitz, West, Shepherd, Nelson, Chandler and Zacharakis (2003), thought that the field of entrepreneurship has various fields and it is multidimensional. They argued that innovation and opportunity recognition of new market and performance may contribute to the field of entrepreneurship. Furthermore, most literature has overflowed the linkage between innovativeness and firm performance. Such as the entrepreneurial behaviour of firms and product innovation on corporate performance Day, Reynolds and Lancaster, 2006). However, without proper linking the innovative variables, such as products, technology, processes, and market opportunity on sales and profit return of the firm. It is in line with these submissions from the extant literature that the present study attempts to evaluate the influence of Entrepreneurial Innovative Orientation on Firms Performance among selected registered paint manufacturing firms in Nigeria

### Research Hypothesis

**HO<sub>1</sub>:** Entrepreneurial Innovative Orientation has no significant influence on the performance of paint manufacturing firms.

## 2.0 LITERATURE REVIEW AND CONCEPTUAL UNDERPINNING

### Concept of Entrepreneurial and Component of Innovative Orientation

Entrepreneurial Orientation (EO) is a firm-level behavioral process of entrepreneurship that consists of three dimensions; innovativeness, risk-taking, and pro-activeness. Crumpton (2012); point out that; the origin of EO is traceable to the work of Mitzberg (1973), where it is conceived that entrepreneurial strategy-making mode is a managerial disposition characterized by the active search for new opportunities in uncertain environments through which dramatic growth might be realized.

Lumpkin and Dess (1996), described EO as the activity of process, practice, and decision making that leads to a new entry. They delineated five dimensions of EO, including innovativeness, risk-taking, proactivity, competitive aggressiveness and autonomy, underpinning almost all business processes. Innovativeness is the tendency of an organization to engage and support new ideas, novelty, experimentation, and creative processes that can lead to new products , services, or technological processes, and the pursuit of creative, unusual, or new solutions to problems and needs (Lumpkin and Dess, 1996; Lumpkin and Dess,2001b; Certo, Moss and Short, 2009).

Risk-taking refers to a corporate tendency to engage in high-risk projects and managerial preferences for bold versus prudent actions to achieve firm goals (Miller, 1983). Proactivity is the process of predicting and adapting to potential needs by finding new markets that may or may not be relevant to the current business line, launching new products and brands ahead of the competition, strategically removing operations that are in the mature or decreasing stages of the life cycle (Lumpkin and Dess, 2001). Competitive aggressiveness has been defined as a tendency for a firm to challenge its competitors intensely and directly to outperform market rivals (Certo *et al.*, 2009). In an entrepreneurial sense, autonomy is the independent action of an individual team member to bring forth a vision or idea and then see it through to completion (Lumpkin and Dess 1996). Prior research supports this view as autonomy has been found to foster innovation, enhance a firm's competitiveness and efficiency, and promote the launch of new ventures (Brock, 2003).

There tends to be some form of a convergence of ideas amongst earlier researchers that the various EO dimensions have a universal positive influence on performance. For instance, a firm that is innovating, creating and introducing new products and technologies, can generate extraordinary

economic performance and have even been seen as the engines of economic growth (Schumpeter, 2002) as cited in Wiklund and Shepherd, (2005). These may translate into an increase in the firm's sales level, increases in the firm's assets, or an increase in the return on investments for the firm. A pro-active firm can create first-mover advantage, target premium market segments, charge high prices and skim the market ahead of competitors (Zahra and Covin, 1995; Rauch, Wiklund, Lumpkin and Frese, 2004). They can control the market by dominating distribution channels and establishing brand recognition (Wiklund and Shepherd, 2005).

### **The Need for Strategic Networking for Entrepreneurial Performance**

While the entrepreneur and their innovations are important elements in the initial stage of opportunity recognition, the successful diffusion of the innovation into the market and with it the growth of the entrepreneurial venture, is likely to be constrained by a lack of resources. Whatever the advantages the innovation offers it will not succeed without adequate financial backing, marketing, and production competencies. These are frequently the types of resources that small firms lack. However, small firms exist within a network of actors consisting of customers, suppliers, financial institutions, government agencies, local authorities, employees, other firms, and stakeholders (Jennings and Beaver, 1997). The entrepreneurial manager of a small firm can leverage such networks to secure resources that they do not possess within their organisation with resulting competitive advantages (Ostgaard and Birley, 1994).

### **Review of Related Studies Entrepreneurial Innovative Management and Performance**

A review of strategic management and entrepreneurship literature reveals that only anecdotal evidence reveals the link between entrepreneurial orientation and performance of small business manufacturing firms. Okpara, (2009) researched the effect of entrepreneurial introduction on the fare execution of SMEs and found that organizations that embraced proactive introduction accomplished higher execution, benefit, and development in contrast with those that did not. Alarape (2013) examined entrepreneurial orientation and its dimensional variables such as innovativeness, risk-taking proactiveness, and their effects on the growth performance of small and medium enterprises (SMEs) in southwestern Nigeria. The review demonstrated that the development execution of the SMEs in Southwestern Nigeria is for the most part poor and the EO is decidedly identified with performance. Engelen, Gupta, Strenger, and Brettel (2015) examined

the effect of Entrepreneurial Orientation on firm performance and use transformational leadership as a moderating variable. The authors use data from 790 small- and medium-sized firms in six countries and found out that EO is positively associated with firm performance, but several contingencies affect the strength of the relationship. Wales, Gupta and Mousa (2013) uses a sample of high technology manufacturing firms in the U.S. and find EO as a source of variability in firm performance.

All these studies confirm the traditional view of EO. In contrast, Covin and Slevin (1989) revealed an insignificant relationship between Entrepreneurial Orientation and performance in U.S. firms. Similarly, the findings also show that there is no relationship between EO and performance in Netherland firms (Stam and Elfring, 2008), and small U. S. firms (Madison, Sadati, Delavari, Mehdivand and Mihandost, 2014). Given the lack of consistency in the relationship between the choice of EO variables and performance and the environment in which previous studies was carried out, attempts were further examined to evaluate the effect of EO variables such as product innovation, technological innovation and market innovation on sales and profit performance of selected registered paint manufacturing firms in Lagos State, Nigeria.

Invariably evidence from the literature shows that the extent to which Entrepreneurial Orientation Variables Influence Firms Performance among selected registered paint manufacturing firms in Nigeria has not been well explored in which this present study creating a gap upon. The construct of this study was embedded in innovation and opportunity based theory, this is based on the fact that innovation and opportunity based theory is the pioneering theoretical perspective in entrepreneurship and strategic management. This theory view that firms should be creative and search for new ways of doing things. The theoretical perspective states that entrepreneurs are leaders of creative power for innovation and also that innovativeness of entrepreneurial spirit is the dominant return of sales and profit performance of a firm base on the activity of the entrepreneur (Lintunen, 2000; Schumpeter, 2002).

### **3.0 METHODOLOGY**

The research population comprises all registered quoted paint manufacturing firms currently operating in based on the NSE report (2018). This study focuses on six quoted paint manufacturing

firms in Ogun State, Nigeria. The quoted firms include Delux Paints, Berger Paints Nigeria Plc, DN Meyer Plc, Portland Paints Nigeria, chemical and Allied products Plc (CAP), and Premium Paints Plc. The choice of these firms was based on their predominance activities in the paint industry in terms of product quality, pursuance of innovation, brand strength, turnover, market share, and technology. However, the choice of these firms in Ogun State also was predicated on the fact that all these firm have their plant in Ogun state. Primary data and secondary data were both adopted. The primary data were gathered through the use of questionnaires while the secondary were source through financial reports of selected firms from a period of 2014-2019.

Three hundred (300) questionnaires were administered on the staff of all six (6) quoted paint manufacturing firms selected using stratified random and Judgmental techniques. This was done in such a way that all the 6 selected quoted paint manufacturing firms in relevant units (Finance, sales and marketing, research and development, operations, and manufacturing and management team) have 50 questionnaires each. Entrepreneurial innovative orientation was measure in terms of technology innovative idea, product development, market opportunity, and research and development of the selected firm while performance was proxy based on return on sales and profit form the performance measure. Data collected was analyzed using Descriptive statistics while regression analysis was used to test the formulated hypothesis using Stata version 17.

#### **4.0 RESULT AND DISCUSSION**

##### **Descriptive Analysis of Entrepreneurial Innovative Orientation**

The analysis presented in Table 1 describes and presents the data obtained for the entrepreneurial innovative orientation component used in the study. the data extracted from the financial report and personal interaction of the six selected paint manufacturing firms are the numbers of new innovative technological machines, numbers of new products produced, numbers of new market opportunity/development areas, and the number of staff trained and developed. On the otherhand two key indicators constitute measures of the dependent variables. Return on sales and net profit margin. They were quantified in terms of percentage change from one year to another. In terms of new innovative technological machines, it shows that there is a continuous increase in numbers of innovative machines and technology purchase by the paint manufacturing firms between 2015,

2017, 2018, and 2019, with 2019 having the highest number (62) of innovative machines. Similarly, the number of new paint products produced by the firms indicates the level of novelty and experimentation of new innovative products.

In terms of an innovative product, it shows that there is an increase in the number of new products produced by the firms between 2015, 2017, 2018, and 2019, with 2019 having the highest number (52) of innovative new paint products produced by paint manufacturing firms. In the same vein, to achieve leadership in innovation and competitive position, the paint firms depended on training and development as a useful entrepreneurship strategy to create new products. Similarly, the table above also shows the number of new market opportunities as a result of innovation. The market opportunity in 2014 was 98 and the figure increase in 2015 to 120, 140 in 2016, 160 in 2017, 172 in 2018, 186 in 2019. The result shows a geometric increase in the market opportunities by paint manufacturing firms and the highest number in 2019.

Table 1 shows that a substantial number of employees were trained between the years 2014 to 2015. The firms had an insignificant decrease in the number of staff trained in 2016, and a further increase in 2017 and 2019 to 102, 114, and 121 respectively. Furthermore, Table 4.1 also shows the two key measures of performance such as return on sales and net profit margin. Data obtained from the financial reports revealed a minimum of return on sales of (30%) in 2014 and a maximum of (48%) in 2019. This index of sales return shows that the paint manufacturing firms have a steady increase in sales over the years. Similarly, the profit index shows that minimum (21%) in 2014 and 2016 with a maximum (34%) in 2019. This implied that the profit levels of the firms increased over time due to entrepreneurship activities such as innovation and market expansion and opportunities.

**Table 1: Data presentation and analysis of results obtained from internal financial records/document and financial reports**



Year	No of new technological & innovative machines	No of new products	Market Opportunities & Expansion	No of staff training and development	Return on Sales (ROS) %	NPM %
2014	31	36	98	100	30	21
2015	43	38	120	120	34	24
2016	44	39	140	93	40	21
2017	48	43	160	102	45	30
2018	55	48	172	114	46	33
2019	62	52	186	121	48	34

**Sources:** Entrepreneurial innovative activates and Performance of registered Paints Manufacturing company's data sourced from Annual financial reports, financial records & Personal interaction of firms in the period of 2014-2019.

### **Effect of Entrepreneurial Innovation Orientation on Performance of Paint Manufacturing Firms.**

In examining the effect of Entrepreneurial innovative orientation such as technological innovation, product development, market opportunity, expansion, and training development on the sales performance of the selected paint manufacturing firms. Therefore, to achieve the stated objectives a regression model was constructed to test the hypothesis. Based on the regression result presented in table 2, a unit increase in technology innovation increases the performance of the manufacturing paint firm by 0.7 units. This shows that technology innovation has a significant effect on the performance of selected manufacturing paint firms. The result of the analysis shows that a unit increase in product development increases the performance of selected manufacturing paint firms by 0.6units. This shows that product development has a significant effect on the performance of selected manufacturing paint firms. Furthermore, the result of the analysis shows that a unit increase in market opportunity increases the performance of selected manufacturing paint firms by 0.5units. Similarly, a unit increase in staff development increases the performance of selected manufacturing paint firms by 0.7units.

The results indicate that all the identified variables of entrepreneurial innovative orientation are significantly related to the performance of manufacturing paint firms @ 0.001, 0.005, 0.003, 0.004 percent respectively. The coefficient of determination ( $R^2$ ) of 0.745; Adjusted ( $R^2$ ) of 0.743; F-Value @35.400 and P-Value @0.000 also confirmed the significance of the model. The R square of 0.745 indicates that about 75% variations independent variable (Paint Manufacturing Firm Performance) is explained by independent variables (Entrepreneurial innovative orientation). Collectively, the constant and coefficient are statistically significant, due to this result, the null hypothesis is rejected while the alternative hypothesis is accepted.

Invariably, Analysis from the result reveals that entrepreneurial innovative orientation such as Technology innovation, product development, market opportunity, and Staff development positively influence the performance of selected manufacturing paint firms. The outcome of this study buttresses the argument of scholars (Bhaumik, Estrin and Michiewkz, 2012; Abiola, 2013; Adegbite and Adereijo, 2014; Al-Dharfi and Alswidi, 2014; Bechini, 2015 in the field of entrepreneurship that entrepreneurial character was based on the component of innovation, product development and effective management of resources and influence the overall performance of firms.

**Table 2: Regression analysis of Effect of Entrepreneurial Innovative Orientation on Manufacturing Firm Performance.**

<u>Model</u>	<u>Coeff.</u>	<u>Std.Error</u>	<u>t</u>	<u>Sig.</u>
(constant)	6.835	0.521	9.280	0.000
Tech Inov	0.792	0.231	6.719	0.001
P - Dev	0.631	0.172	4.981	0.005
Mkt Opp	0.521	0.165	5.653	0.003
Staff TD	0.781	0.193	3.010	0.004

$$R^2 = 0.745; \text{ Adjusted } R^2 = 0.743; F\text{-Value}=35.400; \text{ Prob}>F= 0.000$$

**Dependent Variable:** Firm Performance

**Predictors:** Technology innovative (Tech Inov), product development (P-Dev), Market Opportunity (MKT-Opp), Staff Training Development (Staff TD)

**Source: Researcher's Compilation, (2019).**

## **5.0 CONCLUSION AND RECOMMENDATIONS**

The research findings indicated that Entrepreneurial Innovation Orientation exerts a great influence on the performance of sales and profit return in paint manufacturing firms in Ogun State, Nigeria. This confirms that entrepreneurs have the willingness to support creativity, the introduction of new innovative products and technology and at the same time take advantage of market opportunities. Finally, firms' ability to recognize new opportunities and compete favorably with other competitors ensures an increase in sales and profit returns. It was also revealed that all the variables of entrepreneurial innovative orientation jointly and relatively contribute to the performance of sales and profit return of the manufacturing firms in Lagos state. The study, therefore, recommended that all entrepreneurs and managers of paint manufacturing firms should adopt innovative based entrepreneurship that can bring about the performance of high return of sales and profit over a while. In line with findings, it was recommended that business operators of paint manufacturing firms should embrace proactive and performance-based to take advantage of new market emerging dynamics and opportunities that will positively enhance the firm performance.

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