MODERATING EFFECTS OF GOVERNMENT SUPPORT POLICY ON ENTREPRENEURIAL ORIENTATION AND CONTEMPORARY MARKETING FOR SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NIGERIA

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Abstract
The study assesses the combine effects of entrepreneurial orientation and contemporary marketing on small and medium enterprises performance in Nigeria while taking government support policy as a moderator. A resource-based view was adopted to guide and explain the ability of firms to deliver and maintain sustainable competitive advantage when resources are managed. Data for this exercise was elicited with survey method using structured questionnaire was employed. The unit of analysis was the SMEs across northeast region of Nigeria represented by their owner-managers. The sample size for the study was determined based on Dillman formula where 368, out of 8,662 registered SMEs were selected using stratified random sampling. Two hundred and fifty-six (256) questionnaires were returned and only 240 usable questionnaires were analysis, yielding a 65 % response rate. The results show positive and significant relation between contemporary marketing and entrepreneurial orientation (EO) practices of SMEs on firm performance. Similarly, it has been found that government support policy moderates the relationship between contemporary marketing and performance as well as entrepreneurial orientation and performance. Therefore, government support preferences for dealing with performance of SMEs needs to be vested on good diagnostic and an extensive view of the policy options.

Keywords: Entrepreneurial orientation, Contemporary marketing, SMEs performance, Government support.

Introduction
Entrepreneurship can be described as a process of ‘creative destruction that introduces new goods or new quality of goods, introduction of new methods of production, opening of a new market, utilisation of new sources of supply and carrying out new organisational forms’ (Alegre & Chiva, 2013). This definition considers entrepreneurship as the creation of new economic activity, any activity that brings changes to the market is considered as entrepreneurship (Tende, 2014).

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According to this definition, business growth is also viewed as entrepreneurship because advancement brings some changes to the peripheral environment as well as to the internal environment. Furthermore, Kantur (2016) made emphasis that growth is attained through entrepreneurship and argued that, growth means entrepreneurship because small businesses grow gradually. Recently, management studies have mostly focused on the Entrepreneurial Orientation (EO) that explains how entrepreneurship is put into practice. Entrepreneurial orientation in an organisation has been acknowledged as an important feature of organisational culture that stimulates organisational value creation (Edoho, 2015). EO is considered as a breeding ground for the growth and development of small and medium enterprises (SMEs) (Maritz, De Waal & Verhoeven, 2011).

SMEs play significant and important roles towards the development of a nation’s economy (Iweka, Babajide, & Olokoyo, 2016). The SME sector is a major engine which encourages the growth of a nations’ economy, wealth creation and employment generation (World Bank, 2013; Osotimehin., Jegede, Akinlabi & Olajide, 2012). In Nigeria, SMEs in manufacturing, agriculture, services, and other sectors, has been considered as the engine drive and has contributed substantially to the economy (NBS & SMEDAN, 2010; SMEDAN, 2012). Although, Nigerian government depends on petroleum products for internal revenue generation, sustainable growth and increase in SME performance. It also creates competitiveness especially, in the manufacturing sector will open numerous doors for employment opportunities, tangible and intangible assets (investment) in the environment (Imeokparia & Ediagbonya, 2014). In spite of the exploitation of petroleum products and numerous challenges faced by SMEs, the sector has developed rapidly in the areas of business venture and job creation over the years (SMEDAN, 2012). According to available statistics, SMEs provide gainful employment for about 90% of the Nigerian population (Okeke, Onuorah, & Jakpa, 2016). Available reports also suggest that most of the operators in the manufacturing sector are SMEs engaged in processing, production and delivery of goods (NBS & SMEDAN, 2013). Consequently, to achieve optimal economic development and to reduce dependency on crude oil for redistribution of economic wealth, the government of Nigeria seeks rescue from the SME sector by employing economic diversification (Osinbajo, 2015; Wakili, 2016).

On the other hand, the overbearing springs of evolving competitive advantage has unshakably plagued the way SMEs are managed (Hapenciuc, Pinzaru, Vatamanescu, & Stanciu, 2015). The market and environment transformations, the growth of competition and ambiguity in all business practises, the gravity to integrate new technologies into day-to-day business operations, the internationalisation and interconnectivity of markets have all contributed significantly to a landscape modification of large, medium and small businesses (Ionita, 2012; Ibrahim, Keat, & Abdul-Rani, 2016). Statistics show that three out of every five SMEs die before their 5th anniversary and eight out of ten potential entrepreneurs are discouraged from establishing their dream venture every year in Nigeria (Ibrahim et al., 2016). This insubstantiality of SMEs, essentially at start-up, explains why they require support.
Conceptual issues

SMEs performance is globally linked to the growth and development of a nation's economy (Yaacob, Mahmood, Zin, & Puteh, 2016). This expounds the significance of this segment as an instrument that can create not only economic growth in emerging nations but also advanced countries (Staniewski, Nowacki, & Awruk, 2016). Furthermore, SMEs have been acknowledged globally as one of the major contributing sector to GDP in the areas of employment generation, poverty reduction, rapid industrialisation, encourage the spread of technology and innovation and wealth creation among citizens (Kale, 2012). SMEs in Nigeria are perceived to have provided important economic advantages in the areas of employment and empowerment of the citizenry, proving about 90% of job opportunities (Dauda & Akinbade, 2010; NBS & SMEDAN, 2013).

Miller (1983) reiterates that the features of an entrepreneurial firm: “is the one that engages in product market innovation, undertakes somewhat risky ventures, and a pioneer in a ‘proactive’ innovations, always ahead of its competitors.” The EO dimensions affects business performance in a different way, for instance, a level of high innovation shows a greater positive relationship with sales growth, while pro-activeness is positively related to sales level, sales growth and return on investment (Kreiser & Davis, 2012; Naranjo-Valencia, Jimenez-Jimenez, & Sanz-Valle, 2016). On the other hand, risk-taking produced an inverted “U shaped” curvilinear relationship with sales growth (Madhoushi et al., 2011). In some instances, pro-activeness and competitive aggressiveness are contrarily correlated to performance in different circumstances (Dess, Lumpkin, & Covin, 1997; Lechner & Gudmundsson, 2012; Lumpkin & Dess, 2001). The potential role of EO as a vector of performance has been evaluated both empirically and theoretically. Empirically, a number of studies have found an inconsistent relationship between EO and performance (Al-Dhaafri, Al-Swidi, & Yusoff, 2016). Theoretically, it was emphasised that EO has been confirmed as a factor having a positive bearing on business performance through the creation of a competitive advantage that transmutes into substantial financial success (Wiklund, 1999). In view of the findings from previous researches, this study posited the following hypothesis:

*H₀₁: There is no significant relationship between EO and performance of small and medium enterprises*

Contemporary marketing (CM), the assessment of “a multi-paradigm philosophy and a multi-procedure approach” (Brodie, Coviello & Winklhofer, 2008), has marked a step forward in the research of marketing standards, often stalled by the growth of transactional versus relational marketing debates. CM covers both Business to Business (B2B) and Business to Customer (B2C) domains and is descriptive of the marketing conduct of every business, independent of its nature, scope, lifespan stage or core business (Trainor, Rapp, Beitelspacher & Schillewaert, 2011). The CM practices was first examined by Brodie, Coviello, Brookes and Little in 1997 looking at transaction, database, interaction, and network marketing. In addition to this four
practices, e-marketing as the fifth aspect of CM practice was introduced by Coviello, Milley and Marcolin (2001). In this context, Coviello, Winklhofer and Hamilton (2006) examine both marketing practice and the association between practice and performance of SMEs in tourism accommodation sector. The findings from their study shows that in all the practices examined, only interaction marketing and transaction marketing positively affect performance.

However, despite increase attention in the literature on newer forms of practice such as database marketing, e-marketing and network marketing. Indeed, they are all implemented by the firms in Coviello & Joseph (2012) sample, these forms of marketing appear to have no impact in terms of either directly influencing performance or enhancing the effect of transaction marketing and interaction marketing. Additionally, the implementation of e-marketing increases the effectiveness and efficiency of database marketing and network marketing practices. The success of e-marketing therefore comes from the support and enhancement of existing marketing practices, rather than e-marketing transforming the business model. Thus, the adoption of e-marketing is shown to largely be a consequence of its integration with other practices. In view of the findings from previous researches, the following hypothesis is proposed:

\[ Ho2. \text{There is no significant relationship between contemporary marketing and Performance of small and medium enterprise} \]

Government support policies on SMEs are strategies or programs employed by government and their regulatory agencies to influence and determine decisions making process that foster economic growth by ensuring that the environment is adequately protected for business operations (Wakili, 2016). Osinbajo (2015) highlighted that Nigerian economy is faced by serious challenges due to negligence in SMEs sector for over four decades. Hence, the problem is a matter of grave concern to the Nigerian government and other stakeholders and needs an affirmative action to overcome the challenges (Wakili, 2016). As a result of the negligence and government commitment to diversify more on SMEs, the President of Nigeria recently during his speech delivered at the 2016 Economic Summit Retreat in Abuja, Nigeria, reiterate more incentives to SMEs so as to prove themselves capable of manufacturing quality products good enough for export (Sotubo, 2016).

In the same vein, Federal government of Nigeria announced the reduction of taxes for SMEs to thrive and promote inclusive economic growth (Wakili, 2016). Furthermore, the Nigerian government through the Nigerian Customs Services banned the importation of goods that can be sourced and produced in Nigeria. This policy aims at encouraging the indigenous SMEs to strengthen their market potentials which will subsequently improve their productivity and performance (Omonobi & Bivbere, 2016). Consequently, the government of Nigeria resolves to engage more with SMEs and entrepreneurial activities towards ensuring viable economic development and wealth creation by supporting the sector (Osinbajo, 2015). In view of the current government’s commitment therefore, this study examines the
moderating effect of government support to strengthen the relationship between EO and CM on SMEs performance in Nigeria hence, postulated the following hypothesis.

**Ho3:** Government support does not acts as a moderating variable between EO and performance of small and medium enterprises

**Ho4:** Government support does not acts as a moderating variable between CM and performance of small and medium enterprises.

Based on the discussion and results on EO, CM and firm performance, the study conceptualised the model as shown in Figure 1 below. In Figure 1, EO and CM are the independent variables, SMEs performance is the dependent variable while government support is the moderating variable.

**Underpinning Theory**

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed, such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Hooley, Greenley, Cadogan, & Fahy, 2005). RBV explains that a firm’s sustainable competitive advantage is reached by virtue of unique resources being valuable, rare, inimitable, non-tradable, and non-substitutable (VRIN), as well as firm-specific resource capabilities (Finney, Lueg, & Campbell, 2008). Barney (1986) and (Penrose (1959) ascertained that organisations normally own resources which provides them with competitive advantage and holds the key to superior long-term performance. The resources that are scarce, specialised and difficult to trade, imitate, or appropriate are viewed as intangible (Ray, Barney, & Muhanna, 2004). Therefore, this study applied the resource-based view (RBV) as underpinning theory. The theory turn out to be one of the most widely used theoretical framework to underline the way companies utilise their resources to achieve performance.

**Methodology**

In this section, the researchers discussed the data collection procedure and the method applied in the data analysis. Data for this exercise was composed using survey method where a structured questionnaire was employed. The unit of analysis was the SMEs spread across northeast region of Nigeria represented by their owner-managers. Zahra and Covin (1995) asserted that in a study related to SMEs; usually the owner-managers are the target respondents given that they have more knowledge regarding their companies’ strategies and overall business situations. This is in conformity with previous studies (see Lechner & Gudmundsson, 2012).

The sample in this study was selected by using stratified random sampling where the population embraces a number of distinct categories. The sample was then organised by these categories into separate strata and each stratum was sampled as an independent sub-population, out of which individual elements were randomly selected. Similarly, measurements used in the questionnaire were adapted from
previous studied and modified to suit Nigerian context. The items on EO was adapted from Covin and Wales (2011), CM items adapted from Brodie, Winklhofer, Coviello and Johnston (2007), government support items adapted from Chea (2009) while SME performance items adapted from Suliyonto and Rehab (2012) all in 7-likert scale. According to NBS and SMEDAN (2013) annual report, about 8,662 registered SMEs were available in the northeast Nigeria which is the target population of this study. The sample size for the study based on Dillman (2007) formula is 368 out of this, only two hundred and fifty-six (256) questionnaires were returned, out of which 240 usable questionnaires went for final analysis, yielding a 65% response rate. SPSS 22v and PLS-SEM 2.0 were used in the analysis.

Measures of variables considered and used for entrepreneurial orientation are autonomy, competitive aggressiveness pro-activeness and risk taking. Contemporary Marketing are Database marketing, E-marketing, integrated marketing, network marketing and transactional marketing. Government support policy are Government support measures of incentives on innovation and R&D, enabling environment, commitments, invest, maintaining and expanding, initiative on commercialisation of R&D, adequate infrastructure, technology enhancement, provision of stable electricity and up to date ICT training, collaborates, low-interest funding exporters and promotion of, power, transportation, technological equipment, ICT), Banning importation. The measurement of SMEs Performance include return on investment, net profit, market share, product/service cycle time, customer services level, technological utilisation, sales growth, sales volume, image/reputation.

Statistical Analysis
An initial test of validity and reliability using smart PLS 2.0 was conducted. The model as depicted in fig. 1. has two independent variables namely entrepreneurial orientation and contemporary marketing which represent a firm valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities as signified by the RBV theory. The dependent variable is firm performance (SME) and government support is the moderating variable.
To assess the measurement model of the study, constructs validity and reliability of specific items for measuring each latent construct. Construct reliability, discriminant validity, as well as convergent validity for each of reflective constructs (SME performance & government support) were evaluated in order to determine the accurateness of the measurement (Hair jr, Hult, Ringle, & Sarstedt, 2014). After calculating PLS algorithm, the next action was to assess the indicators reliability to see if there is any item indicator with loading less than 0.4 to delete them from the model. Hence, all the items indicators met the requirement as presented in table 1, there is no case for deletion.

Table 1: Factor Loadings, CR and AVE

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Support</td>
<td>GSP1</td>
<td>0.89</td>
<td></td>
<td>0.70</td>
</tr>
<tr>
<td></td>
<td>GSP2</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSP3</td>
<td>0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSP4</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSP5</td>
<td>0.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSP6</td>
<td>0.84</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>GSP7</td>
<td>0.81</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>GSP8</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GSP9</td>
<td>0.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME Performance</td>
<td>PER1</td>
<td>0.88</td>
<td>0.97</td>
<td>0.78</td>
</tr>
<tr>
<td></td>
<td>PER2</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER3</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER4</td>
<td>0.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PER5</td>
<td>0.90</td>
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<tr>
<td></td>
<td>PER6</td>
<td>0.79</td>
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<td></td>
<td>PER8</td>
<td>0.91</td>
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</tr>
<tr>
<td></td>
<td>PER9</td>
<td>0.90</td>
<td></td>
<td></td>
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</tbody>
</table>
Similarly, to ascertain the formative construct (EO and CM), the researchers have examined two conditions on each indicator to determine whether they are significant in the construct or not. First was to assess the collinearity among the indicators using variance inflation factor (VIF) values, the threshold of which is 5. The second condition is to assess the significance of the statistical contribution of each formative indicator to the main construct.

Additionally, as recommended by Hair, Ringle and Sarstedt (2011), the composite reliability and Cronbach alpha for internal consistency reliability of the whole construct meet the condition ranging from 0.7 and 0.8 respectively. Equally, the average variance extracted (AVE) for convergent validity of all the constructs are considered accepted as all the AVE meet the minimum threshold of 0.5 as recommended by (Hair jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). In conclusion, to justify the discriminant validity the square root of AVE is compared to correlation square of the interrelated variables of concern constructs which indicates adequate discriminant validity.

**Structural Model**

After satisfying all the requirements for the measurement model, this section presents the structural model of the analysis through the standard bootstrapping method using 5000 bootstrap sample for 240 dataset to ascertain the significance levels for the direct and the moderating relationships (Hair, Sarstedt, Pieper, & Ringle, 2012; Hair jr, et al., 2014). These include the hypothesis testing, evaluation of R-square, effect size and predictive relevance.
This study employed a product indicator approach using PLS SEM to evaluate the strength of the moderating effect of government support policy on the relationship between Entrepreneurial orientation and Contemporary marketing on SMEs performance. Equally, as presented in table 1, government support is significantly related and moderate the relationship between contemporary marketing and SMEs performance while on the other hand, it shows no any interaction between EO and SMEs performance hence the relationship between the constructs was found to be insignificant.

Table 5: Moderation hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Beta</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>CM * GSP -&gt; SME PER</td>
<td>0.0982</td>
<td>0.0562</td>
<td>1.7456</td>
<td>Supported</td>
</tr>
<tr>
<td>EO * GSP -&gt; SME PER</td>
<td>-0.0957</td>
<td>0.0615</td>
<td>1.5562</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Table 6: R-square

<table>
<thead>
<tr>
<th>Constructs</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME PER</td>
<td>0.31</td>
</tr>
</tbody>
</table>
Consequently, it can be predicted that government support policy moderates the relationship between CM and SMEs and Performance at 5% significance level using 1-tail. Statistically the moderating effect is significant, hence hypothesis supported. Similarly, EO was moderated using 10% significance level and the result shows government support policy moderating the relationship between EO and SMEs Performance thus, the hypothesis was supported.

Table 8: Predictive relevance

<table>
<thead>
<tr>
<th>Total</th>
<th>SSO</th>
<th>SSE</th>
<th>1-SSE/SSO</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME PER</td>
<td>2400</td>
<td>1822.771</td>
<td>0.2405</td>
</tr>
</tbody>
</table>

Figure 3: Predictive Relevance
Evaluation of Predictive Relevance, Effect Size, and R-Square
The essence of assessing the predictive relevance in PLS-SEM is to precisely predict the data points of indicators in reflective measurement model of endogenous construct and endogenous single-item construct (Hair jr et al., 2014). A $Q^2$ value greater than zero for a certain reflective endogenous latent variable signifies the path model’s predictive relevance for a specific construct (Hair jr et al., 2014; Hernández-Perlines, Moreno-García, & Yañez-Araque, 2016). Based on this contention, the predictive relevance of the model show 0.2405, which is above the threshold. Similarly, Chin (1998), provided criteria for judging predictive relevance as 0.02, 0.15 and 0.35 are considered small, medium and large respectively. Therefore, in line with these arguments, the current research model has a medium predictive relevance.

Discussion of Findings
The objective of this study is to examine the relationship between EO and CM on the performance of SMEs in Nigeria; it determines the extent to which government support can strengthen the relationship for a greater performance of SMEs. The statistical findings of the study revealed that all the four hypotheses were supported, the hypotheses on direct relationship between the independent variables and the dependent variable, CM and PER is positively significant ($\beta = 0.3915$, SE = 0.0503, $TS = 7.7859,2935$), this result is consistent with previous results (see Brodie et al., 2007; Iyalla, 2015) which are all positively significant. Similarly, EO and PER is positively significant ($\beta = 0.1822$, SE = 0.0513, $TS = 2.35501$), this also conformed with prior studies (see Kreiser, Marino, Kuratko, & Weaver, 2013; Naranjo-valencia, Jiménez-jiménez, & Sanz-valle, 2016), they found EO as positively related to PER. Therefore, CM and EO practices of SMEs have significant influence on PER. Additionally, hypotheses three and four supported the argument that government support policy moderate the relationship between CM and PER as well as EO and PER. Therefore, CM *GSP->PER is significant at ($\beta = 0.0982$, SE = 0.0562, $TS = 1.7456$), while, EO*GSP->PER is significant at ($\beta = 0.0957$, SE = 0.0615). Equally, the $R^2$ included is 0.321 as well as $R^2$ excluded is 0.311 for the two independent variable (EO and CM), thus, contributed 32% to the model. Likewise, $f^2$ value is 0.001 which predicts none effect size for the constructs. However, according to (1) an effect size above zero show an effect. The results of the study validate that government support policy act as a moderator to strengthen the relationship between EO and CM on the performance of SMEs in Nigeria. The choice of the government support preferences for dealing with performance of SMEs needs to be vested on good diagnostic and an extensive view of the policy options.

Conclusion
This study would meaningfully add towards extending the borderline of existing knowledge as well as provide empirical support to practitioners. It is expected to provide more understanding on the relationship between EO, CM and SMEs performance in Nigeria. Specifically, the study offered clarity on the moderating effects of government support policy on the relationship between the independent variables and the dependent variable to shed more light on the role of the policies and
incentives of the Nigerian government to improve survival, growth and performance of SMEs. Likewise, the findings of this work would be of value, practically, to SMEs owner-managers in understanding the vital aspects of EO and CM to increase in order to improve upon their firm performance and which one to avoid. Additionally, the findings of the study are expected to enhance the knowledge and perception of SME owner-managers and practitioners in the areas of modern marketing applications to improve on existing products and new products development. The SME owner-managers and practitioners will understand that in this era of globalisation equipped with improved technology, especially in the areas of IT, fiercely competitive and dynamic business environment, the only way to survive and remain competitive is to be entrepreneurially inclined, strategically positioned and market oriented.

The study further tested empirically, the relationship between EO and CM to performance. Previous studies have neglected the combination of these important variables in a single study models as predictors of firm performance. Consequently, the convergence of these variables is justified. The conclusion drawn from the results of this study should consider the limitation of regional bias, as the sample consists 8,626 SMEs in northeast Nigeria from which the sample is drawn, which may not necessarily represent the entire population. Furthermore, there is a number of baffling but vital factors that should be integrated to ascertain the causal relationship among variables and their relative explanatory power. Directions for further studies should consider the SMEs characteristics for further exploration; this may provide meaningful perspectives for understanding how individual similarities and differences affect the performance of SMEs. Secondly, the limitations of a cross-sectional research method may be overcome if a longitudinal approach is applied in collecting data to describe the changes and the directions and extent of underlying relationships between variables. Thirdly, future studies could empirically examine other strategic orientations to see how they influence the performance of SMEs in order to re-validate the model.

References


