GOVERNMENT SUPPORT POLICY AS A POTENTIAL MODERATOR ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION, CONTEMPORARY MARKETING AND SMES PERFORMANCE IN NIGERIA: A PROPOSED FRAMEWORK

Maryam Imam Ibrahim
Ramat Polytechnic Maiduguri, Nigeria
Corresponding Author: boulhe@gmail.com

Ooi Yeng Keat
Shamsul Huda Binti Abdul-Rani
Universiti Utara Malaysia

Abstract

The purpose of this study is to develop a conceptual framework that examines the role of government support in the relationship between Entrepreneurial Orientation (EO), Contemporary Marketing (CM) and SMES performance in Nigeria. The study reviewed previous literature on EO, CM, and government support policy as they relate to SMEs performance. The outcome of the review leads to the proposal of four hypotheses. The proposed framework will provide a foundation for researchers and practitioners to scrutinise further the aspects of EO and CM on SMEs practice and the extent to which government can strengthen the relationships. For practitioners, the framework can provide insight into understanding the role of government on SMEs performance while researchers can use the framework to expound the determining attributes of EO, CM, government support policies and SMEs performance.

Keywords: Entrepreneurial Orientation, Contemporary Marketing, Government Support Policy, SMEs Performance

Introduction.

Small and medium enterprises (SMEs) are globally linked with 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). Conversely, the functions and impact of SMEs in some countries are much momentous than large-scale industries (Gunasekaran, Rai, & Griffin, 2011; Yaacob et al., 2016).

The catalytic role played by SMEs have been displayed in the developed countries such as USA, UK and emerging economies like India, Brazil, Malaysia, South Africa, Nigeria and Ghana (ACCA, 2013; SMEDAN, 2012). SMEs in those countries have contributed substantially to the total business establishment and gross domestic product (ACCA, 2013; SMEDAN, 2012). Therefore, irrespective of the nation’s status, SMEs play a major role in contributing to the economy, particularly in the areas of poverty reduction, innovation, regional development and social cohesion, which in turn contribute to the GDP and employment generation (Bouri et al., 2011).
Figure 1 shows the contributions of SMEs to the economic development of both advanced and emerging nations.

Therefore, SMEs account for 95% of the established enterprise across the globe with 60% of total private sector manpower (Ayyagari, et al., 2011) Various researchers have stressed the significance of creating a conducive environment and enabling policy initiatives to support entrepreneurial activities and SMEs development in Nigeria (Ajayi, 2016; Iweka, Babajide, & Olokoyo, 2016; Nwosu & Munonye, 2016). Statistically, 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 (Eneh, 2010; Iweka et al., 2016). This insubstantiality of SMEs, essentially at start-up, explains why they require support from the government at all levels. The above picture, therefore, presents the need to examine the influence of government support policy on the relationship between EO and CM on the performance of SMEs, which is the focus of this study.

Literature Review

An Overview of SMEs

The basic principles for classifying SMEs are based on the strength of the workforce, capital asset, and turnover. In an advanced economy such as the USA, SMEs are defined as “any business with fewer than 500 employees” (Lane & Williamson, 2010; Tyson & Schell, 2011). UK classifies SMEs into three categories as micro having less than ten employees, small from 10 to 49, and medium from 50 to 250 employees (Al-najjar, 2014; Quy, 2016). Likewise in Nigeria, SMEs are described as a business entity with a workforce of 11-49 and total cost from 5 million to 50 million Nigerian Naira, including working capital but excluding the cost of land for a small-scale enterprise. While medium scale businesses are classified as a business venture with a total cost from 50 million but not exceeding 200 million Nigerian Naira, including working capital but excluding the cost of land and workforce from 50 to 199 (Ajayi, 2016). NBS and SMEDAN (2013) reported that SMEs in Nigeria account for 97% of the total business formations in the country and contribute 87.9% of the labor force in addition to 48% of industrial output in terms of value added. However, SMEs contribution to the GDP is not stable for some years in Nigeria (NBS & SMEDAN, 2010; SMEDAN, 2012). For example, SMEs contributed 37% to the GDP in 2009, and the figure was improved in 2010 by 26% making a total contribution of 46.5% to the GDP (NBS & SMEDAN, 2010; SMEDAN, 2012). However, since then the contribution of SMEs to the general economic development of Nigeria has been decreasing. In 2013, the total contribution to GDP was 10% and accounted for 30% of the country’s total export from manufacturing sector (ACCA, 2013). Even though the contribution to GDP is not stable in Nigeria, it is worth noting that the manufacturing industry of SMEs export is recording 30% annually, suggesting that there is scope to increase and stabilised the contribution to GDP as well. The inconsistency of SMEs contribution highlights the poor performance of Nigerian SMEs in recent years which is far less than anticipated (Irefin, Abdu-Azeez, & Tijani, 2012; Iweka...
et al., 2016). Among some of the reasons for the poor performance of SMEs towards the GDP include infrastructural decay; entrepreneurial and marketing inability; enabling environment limited application of technology and unfavorable competition from foreign goods and services (Bangudu, 2013; Mwobobia, 2012). The Nigerian government has introduced different support policies since the early 1970s to help improve the performance of SMEs through financing and to help diversify the country’s economies of an over-reliance on the oil sector (CBN, 2006; Ogechukwu, 2011). Furthermore from 1980s, banks were mandated to set up branches in the rural areas in Nigeria. The objective of this policy was to improve access to financial services (Collier, Soludo, & Pattillo, 2008).

SMEs play a vital role in the informal sector of the Nigeria economy. The performance and survival of SMEs depend on the favorable policy that can drive and develop the industry in Nigeria (Obaji & Olugu, 2014; Oboreh, Francis, & Ogechukwu, 2013). Eneh (2010) suggests that the link between SMEs performance and economic growth remains intricate and that entrepreneurial ability is considered as a necessary component of a country’s capability to support economic development through SMEs. The government has always observed the importance of SMEs through various strategic policies (Oboreh et al., 2013). Similarly, to make SMEs survive and grow in the challenging environment, the Nigerian government has provided incentives that would stimulate the performance of SMEs in the system through the use of fiscal policy measures. (Adedawe, Adesola, & Oyewale, 2013). Some of the measures included: Pioneer status or Income Tax Relief Act, Tax relief for investments in economically disadvantaged areas, Tariff measures and adequate protection with import tariff to ensure that locally produced goods are efficiently processed and made competitive in both domestic and export markets among others (NBS & SMEDAN, 2013). In addition to these, government policies should include supports in providing information for SMEs about trademarks, strengthening the linkage between SMEs and R&D centers, marketing research expansion and financial systems (Ajayi, 2016; Quy, 2016).

**SMEs Performance Measurement**

Performance is a subject open for wide-ranging discussion among scholars in the field of management. There are a lot of connotations to the expression of performance in the literature. Every definition highlights different perceptions, methods, conceptions and features of the system. Franco-Santos et al. (2007) and Neely, Bourne, Mills, Platts, and Richards (2002) defined performance measurement as a branded system with a set of metrics used to quantify the effectiveness and efficiency of firm’s actions. The authors asserted that performance could be measured in three phases: first, the individual measures of performance; secondly, the performance measurement system as a whole and thirdly, the relationship between the performance measurement system and the environment in which it operates. Therefore performance can be termed as the indicators that facilitate an evaluation of accomplishments for a firm, which is identified based on the aims and objective.

The performance of SMEs can be measured either quantitatively (a numeric measure of performance) or qualitatively (a non-numeric measure of performance) (Hussain, Ismail, & Shah, 2015; Madhoushi, Sadati, & Delavari, 2011). In previous studies, the performance of firms is either measured using objective or subjective variables (Suliyanto, 2011; Weimei & Feng-e, 2012) or both (Polat & Mutlu, 2012; Wiklund & Shepherd, 2005). Several studies on SMEs performance have used resources to investigate the factors influencing performance. Aminu and Sheriff (2014) explore the mediating role of access to finance on the relationship between strategic orientations and SMEs performance in Nigeria. They found that the performance of an entrepreneurial venture is influenced by the entrepreneur’s access to finance, markets, and information. Similarly, Al-Dhaafri et al. (2016) mediated the effect of total quality management and EO to study organisational performance. Equally, Shamsudeen, Keat, & Hassan (2016) used access to finance to moderate the relationship between entrepreneurial self-efficacy and SMEs performance in Nigeria. Congruently, entrepreneurial orientation, appropriate human resource management, the use of modern marketing practice and application of information technology have been used as factors affecting the performance of SMEs (Amirkhani & Reza, 2015; N. Coviello et al., 2006; Deshpande, Grinsten, Kim, & Elie, 2013).

**Entrepreneurial Orientation (EO)**

The concept of EO can be described as an organizations’ activity that is characterized by the behavior of risk-taking, being innovative and proactive, competitively aggressive as well as encouraging individual to articulate and work on one’s initiative or convictions, (Lan & Wu, 2010). Abdul Majid, Kamaludin, Saad and Aziz (2012) conceptualized EO as the
organizational strategy making procedures and styles that engage in entrepreneurial activities. This comprises all actions taken by organizations to be more proactive, innovative as well as issues relating to risk taking. EO as one of the important resources that influence firm’s performance can be seen as an explicit way by which firms relate to opportunities that are available in the environment.

**Entrepreneurial Orientation and Performance**

The potential role of EO as a vector of performance has been evaluated both empirically and theoretically. Empirically, studies have found that a positive relationship exists between EO and performance (Al-Dhaafri et al., 2016; Ibrahim & Mas’ud, 2016; Kantur, 2016). Theoretically, it was emphasised that EO had 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). Likewise, several studies have examined EO and SME performance relationship, for instance, EO has been confirmed to have a positive effect related to performance (Chow, 2006; Coulthard, 2007) or with negative relationships (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Conversely, many scholars of entrepreneurship are equally concerned about the direct relationship between EO and performance (Dess et al., 1997; Lyon et al., 2000b; Wiklund & Shepherd, 2003). Lumpkin and Dess (1996) submitted that the relationship between EO and performance is influenced by other factors such as the context of the business. Therefore, a number of aspects came into account to explain this linkage.

In some instances, the moderating effect of conformational approach explained the contradictory empirical outcomes on the relationship between EO and performance (Fairoz et al., 2010; Idar & Mahmood, 2011; Zhang & Zhang, 2012). In their research, Tang et al. (2008) found that when the environment is uncertain, or the firm has strong marketing skills, EO has a positive impact on performance. Some researchers have also suggested a negative correlation amongst the two axis (Hartfield, Johansen, & Knight, 2008; Kreiser, Marino, Kuratko, & Weaver, 2013). Conclusively, firms need to be innovative to satisfy potential customer needs, engage in new exploration, support new ideas, experiment and stimulate creativity. These are efforts that may result in a new product development, hence promoting SMEs performance and sustainability (Li, Liu, & Zhao, 2006; Polat & Muthu, 2012). Therefore, in view of the inconsistencies in the findings of previous studies, this research postulated the following hypothesis:

\[ H_1 \text{ There is a significant relationship between entrepreneurial orientation and Performance of small and medium enterprises.} \]

**Contemporary Marketing**

Contemporary marketing theory is “a recent strong conceptualisation of marketing that replicates and classifies existing and emergent ‘best practice’ in the marketplace” O’Driscoll (2006). Although it might be argued that few theories in the social sciences can be defined so clinically, some earlier arguments linger on in the contemporary marketing field. The academic-practitioners divide arguments are “hoary, repetitive and infinite” (Levy, 2002). Modern practitioners concerned more with making accurate resolutions at a specific point in time than the managerial consequences of scientifically derived and manipulated research (Coviello & Joseph, 2012; Jayachandran, Sharma, Kaufman, & Raman, 2004).

Contemporary marketing context comprises five categories as advanced by Coviello et al. (2001) and further conceptualised by Brodie et al. (2008). These include Transaction marketing, Database marketing, E-marketing, Interaction marketing and Network marketing. The concepts are considered to be complimentary marketing practices and in-built dimensions of an integrative model reflecting various empirical phenomena (Brady, Saren, & Tzokas, 2002). The underline distinctions between the dimensions of the CM variables succinctly are; Transactional marketing: manages the marketing mix elements to attract and satisfy customers. Database marketing: using technology-based techniques and tools to create and retain loyal customers. E-marketing: presenting product and brand to attract potential and current customers through the use of internet and other technological devices. Interaction marketing: creating an interpersonal relationship to build cooperative interaction between buyers and sellers for a shared benefit; and Network marketing: establishing an inter-organisational relationship to allow for coordination of activities between organizations for mutual benefit and resource exchange.
**Contemporary Marketing and Performance**

Limited studies have looked into the effect of contemporary marketing and organizational performance, especially in the emerging economy (Adeniyi, 2011; Coviello & Joseph, 2012; Iyalla, 2015). However, most of the studies on CM are on a one-dimensional approach which explores one aspect of CM dimension with firm performance (Ibojo, 2016; Kuboye & Ogunlobi, 2013; Sheth, Parvatiyar, & Sinha, 2015; Trang, Zander, De Visser, & Kolbe, 2015). Equally, the majority of the studies focus more on marketing strategies and firm’s performance, and marketing orientation with firm performance (Charles, Joel, & Samwel, 2012; Deshpande et al., 2013; Hussain et al., 2015).

However, despite increased attention in the literature on newer forms of practice, and the fact that they are all implemented by the firms in Coviello & Joseph (2012) sample, these appear to have no impact directly on either influencing performance or to enhance the effect of transaction marketing and interaction marketing. Brodie, Winklhofer, Coviello, and Johnston (2007) provided a broader examination across industries. Their study was a follow-up to the UK and New Zealand research from Coviello, Brodie, Brookes, and Palma (2003) and used data from two US samples collected in 2002 and 2005. The study findings show that the penetration of e-marketing was significant, with over two-thirds of US firms having medium or high levels of e-marketing application (Brodie et al., 2007). The findings also show the adoption of e-marketing as positively associated with improved acquisition performance, which, in turn, influences performance.

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 marketing practices. Therefore, in line with the above arguments from prior studies, this study hypothesizes that:  

**H3. There is a significant relationship between contemporary marketing and Performance of small and medium enterprise**

**Government Support Policy**

Several researchers have stressed the significance of creating a conducive environment and enabling policy initiatives to support SMEs development in Nigeria (Ajayi, 2016; Eniola & Entebang, 2015; Okeke, Onuorah, & Jakpa, 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 (Aminu & Shariff, 2015; Eneh, 2010). This insubstantiality of SMEs, essentially at start-up, explains why they require support. Furthermore, the small size of SMEs creates cost disadvantage when compared to larger corporations. SMEs do not have the same ability to stimulate the environment in their favour as a larger corporation (Oboh et al., 2013; Ogechukwu, 2011). Likewise, they cannot afford costly support services such as financial, legal, human resources and training (Adeloke, 2012; Egena, Wombo, Theresa, & Bridget, 2014). The growth of SMEs largely relies on government developmental strategies because government support policies not only create potentiality for SMEs to grow but also act as a support to overcome crises (Iweka et al., 2016; Quy, 2016).

**Government Support as a Moderator**

There is a little divergence on the affirmation that Nigerian as a nation failed to exploit the benefits that are available from the SMEs sector (Iweka et al., 2016; Taiwo, Falohun, & Agwu, 2016). SMEs are anticipated to play a pivotal role in improving the Nigerian economy, especially with the dwindling oil price in the global market (Osinbajo, 2015; Wakiili, 2016). Various modifications and trade liberalization measures enfolded the government’s activity, entrepreneurial action and market positioning in business. Nevertheless, it is expected that the private sectors particularly, SMEs to lead the economy on a vibrant progression path (Okafor, 2015; Sotubo, 2016). NBS and SMEDAN (2013) asserted that the relative political stability enjoyed in Nigeria would strengthen the administration of justice as well as bureaucracy in the country which in turn reduce corruption in the system. The government, through its designated regulatory bodies and other stakeholders, should formulate a sequence of effective and efficient strategies to promote competitiveness among SMEs. Such policies should include monetary, fiscal, financial, budgetary, capacity building, labor, and trade (Taiwo et al., 2016). Additionally, Government could also reduce corrupt practices and punitive tax evasion through its policies. SMEs are
considered as a lubricator for the development of entrepreneurial skills and innovation due to the flexible nature of their operations. Therefore, government interventions are needed to improve SMEs performance, especially in the areas of stronger energy and infrastructural policies and also focused on education and workforce development (Ajayi, 2016; Iweka et al., 2016; Taiwo et al., 2016).

Notwithstanding the significant contributions the SMEs sector provides to a nations’ economy as a driving force of industrial growth and development, the aspect of government support policy towards SMEs performance is somewhat neglected in the field of management studies, especially in an emerging economy like Nigeria. Literature revealed that there are very limited studies that relate GSP and SMEs performance (Obaji & Olugu, 2014; Shariff, Peou, & Ali, 2010; Taiwo et al., 2016). The few studies that were conducted agree to the fact that government can play a very vital role in improving SMEs performance. Based on this argument, this study proposed government support policy as a potential moderator and came up with these hypotheses:

**H3** Government support policy moderates the relationship between entrepreneurial orientation and performance SMEs.  
**H4** Government support policy moderates the relationship between contemporary marketing and performance of SMEs.

### Conceptual Framework

The research framework as depicted in figure 2 has two independent variables of entrepreneurial orientation and contemporary marketing that will represent firm’s valuable resources and capabilities. SMEs performance is the dependent variable, while government support policy is the moderating variable. Therefore, this research work intends to use the resource-based view (RBV) as an underpinning theory. The theory turns out to be one of the most widely used theoretical frameworks to underline the way companies utilize their resources to achieve performance. Wernerfelt (1984) in the first attempt at formalizing the RBV, argued that a firm’s performance is driven directly by its products, it is indirectly (and ultimately) determined by the resources that go into firms’ production, a point that was further clarified by (Barney, 1986a). Resource-based view of an organisation explains its capability to deliver a justifiable competitive advantage in such a way that their outcomes cannot be copied by competitors, which ultimately creates a competitive barrier (Hooley, Greenley, Cadogan, & Fahy, 2005; Smith & Rupp, 2002). RBV clarifies that a firm’s sustainable competitive advantage is attained by unique resources being valuable, rare, inimitable, non-substitutable (VRIN), as well as firm-specific resource capabilities (Barney, 1986b; Finney, Lueg, & Campbell, 2008; Makadok, 2001).

The theory views entrepreneurial orientation as strategic capability and resource of the firm that can influence performance output (Pratono & Mahmod, 2015). Contemporary marketing and entrepreneurial orientation are distinct but complementary strategies from the perspective of RBV. EO refers to efforts by firms to seize business opportunities, which constitutes proactive behavior, risk taking ability and innovation driven (Covin & Wales, 2011). While CM is considered as firm’s inclination to create and deliver superior value to its customers in the context of the new order of relationship marketing.

![Figure 2. Proposed Framework](image-url)
Conclusion

The significance of SMEs cannot be overlooked by any sensible and serious government of any nation. Especially in Nigeria where the economy is facing serious challenges due to fall in oil price in the global market. The government should articulate strategies and programs aimed at facilitating the survival, growth, development and performance of the SMEs. Monetary and fiscal incentives, provision of an enabling environment and basic infrastructure could be provided to enhance the societal as well as economic development in the areas of job creation, poverty eradication and enhance human capital development. Thus, in line with the arguments of previous studies, this research proposed to adopt government support policy as a possible moderator in the relationship between EO and CM on SMEs performance. If the model is validated empirically, the result will offer a significant insight to policy makers, government agencies, practitioners as well as SME owner-managers in understanding the vital role of government support policy as a vector to increase firm performance. The study will also be a reference point for researchers in the field of management. Additionally, to fill the gap in the literature, adoption of government support policy as a moderating variable is justified. This study suggested for further research that can validate the proposed framework empirically.

References


