



Impact of Proactive Orientation on the Performance of Small and Medium-Scale Enterprises (SMEs) in Delta State, Nigeria

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ABSTRACT

This study investigates the impact of proactive orientation on the performance of Small and Medium-Sized Enterprises (SMEs) in Delta State, Nigeria, with a focus on two key dimensions: Goal Setting and Planning (GSP) and Initiative Taking (INT). A sample of 390 SMEs operating in various sectors within Delta State was surveyed to assess how proactive behaviors, such as setting clear goals, planning strategically, and taking initiative, affect business outcomes. The study employs a quantitative research methodology, utilizing structured questionnaires to gather data on proactive orientation and its relationship with SME performance indicators like profitability, growth, and competitive advantage. The findings reveal that both Goal Setting and Planning (GSP) and Initiative Taking (INT) have a significant positive impact on the performance of SMEs. Specifically, businesses that engage in thorough planning and goal setting tend to achieve higher levels of organizational efficiency and profitability. Likewise, SMEs that demonstrate a high degree of initiative-taking are better equipped to seize market opportunities, adapt to challenges, and innovate, leading to improved overall performance. The study recommends that SME owners and managers in Delta State prioritize the development and implementation of structured goal-setting frameworks and proactive planning strategies. Additionally, fostering a culture of initiative-taking within organizations will enhance their ability to respond effectively to changing market conditions and emerging opportunities. In terms of contributions to knowledge, this research highlights the critical role of proactive orientation in driving SME success in a developing economy like Nigeria.

Keywords: Proactive Orientation, Small and Medium-Sized Enterprises, Goal Setting and Planning, Initiative Taking

1. INTRODUCTION

Proactive orientation as a strategic behaviour reflects forward-looking actions by anticipating opportunities or problems before they occur, rather than simply responding to changes. Previous studies show that companies that have a proactive orientation tend to perform better because they set clear goals, develop careful planning, and adapt to changes in the business environment (Tan & Liu, 2014). In Nigeria, particularly in Delta State, the significance of proactive orientation is even more important given the dynamic business environment influenced by volatile government policies, unstable inflation, and exchange rate uncertainty (Coleman & Adim, 2019). In this context, Goal Setting and Planning (GSP) is a key element that enables small and medium-sized enterprises (SMEs) to formulate strategic directions, anticipate resource needs, and set measurable performance targets (Sandada, 2012). Given that SMEs in Nigeria generally lack the complex formal structures of large corporations, a good planning process can help them deal with uncertainty and improve their competitiveness (Onugu, 2005).

In addition to GSP, Initiative Taking (INT) is also an important component of proactive orientation as it relates to innovation and risk-taking behaviour (Wach et al., 2023). SMEs that have high levels of initiative are more likely to explore new markets, diversify products, and engage in entrepreneurial activities that improve business performance. Several studies reveal that initiative behaviour in SMEs contributes to internal innovation and external adaptability, thereby improving performance in the long run (Hanifah et al., 2020). In

Nigeria, especially in Delta State, such proactive behaviour is needed to deal with challenges such as infrastructure limitations, limited access to capital, and frequently changing regulations. The ability of SMEs to take initiative and create new opportunities, even when faced with external pressures, can be a determining factor in the success or failure of their business.

Delta State has an economic structure that relies heavily on agriculture, trade, and small-scale manufacturing, with SMEs playing an important role in job creation and economic development (Chukwuka & Imide, 2022). However, SMEs in the region face various constraints such as limited access to finance, poor infrastructure, and inconsistent government policies. While many studies have highlighted the positive relationship between proactive orientation and SME performance, most research still focuses on large companies or developed economic contexts. This creates a research gap in understanding how proactive orientation, specifically GSP and INT, affects SMEs in Nigeria. While factors such as planning, initiative and risk anticipation have been recognised as important components, more in-depth research is still needed to analyse how the interaction between these factors collectively affect SME performance.

Some previous studies, such as the one conducted by Prasannath (2024), found that GSP has a direct impact on business performance, but the impact is stronger when combined with a proactive approach to innovation and market exploration. Another study by Gamage et al. (2020) showed that SMEs in Nigeria that are able to anticipate threats and challenges are more likely to survive and thrive despite the economic recession. However, there are still few studies that specifically explore how the combination of GSP and INT affects SMEs in Delta State.

Several research gaps remain unaddressed in the study of proactive orientation and its impact on SME performance. Firstly, the empirical gap is evident from the predominance of research focusing on firms in developed countries, with little attention to the contextual challenges facing SMEs in developing countries such as Nigeria. For example, studies by Belschak and Hartog (2010) highlight the benefits of proactive behaviour but have not sufficiently addressed contextual factors such as infrastructure deficits, unstable regulations, as well as the influence of local business culture.

Secondly, there is a variable gap in previous studies that mostly highlight financial and operational aspects as indicators of SME performance, while non-financial factors such as customer satisfaction, employee engagement, and social impact still receive less attention. More comprehensive studies are needed to understand how various performance indicators are affected by proactive orientation.

Third, in terms of methodology, the majority of studies use a cross-sectional design that only captures a momentary picture, making it less able to describe the dynamics of proactive orientation in the long term. Most studies also rely more on quantitative approaches, with minimal use of mixed-methods that can provide deeper insights into this phenomenon (Fahim & Indiran, 2024). Fourth, the geographical gap is evident from the lack of research focusing on SMEs in Delta State. Most previous research has been conducted in Nigeria's major economic centres, such as Lagos, so there has not been much insight into the specific conditions of SMEs in Delta State.

This research offers novelty by exploring how the combination of Goal Setting and Planning (GSP) and Initiative Taking (INT) affects the performance of SMEs in Delta State, Nigeria. This study not only fills empirical, variable, methodological, and geographical gaps, but also provides academic contributions as well as practical implications for SMEs and policy makers in designing more adaptive and sustainable business strategies. As such, this study becomes relevant not only in the context of Delta State and Nigeria, but also to the global study of SME business strategies in the face of dynamic economic challenges.

1.1. Hypothesis Development

1.1.1. The effect of Goal Setting and Planning (GSP) on SME performance in Delta State, Nigeria

Goal setting and planning (GSP) are key elements in a proactive orientation that enables organisations to effectively direct their resources to achieve business goals (Fayomi & Akanazu, 2024). In the context of SMEs, previous research shows that SMEs with strong strategic planning are better able to manage market challenges, improve operational efficiency, and achieve sustainable growth (Majama & Magang, 2017; O'Regan & Ghobadian, 2002).

However, some studies suggest that external factors such as limited access to finance, inadequate infrastructure, and regulatory uncertainty may limit the effectiveness of strategic planning in improving SME performance, particularly in developing countries such as Nigeria (Abdullahi et al., 2015). Thus, although in theory good planning can support the growth of SMEs, in practice its effectiveness may vary depending on the business environment faced. Therefore, further research is needed to test whether GSP actually affects the performance of SMEs in Delta State, Nigeria.

H0₁: There is no significant impact of Goal Setting and Planning (GSP) on the performance of SMEs in Delta State, Nigeria.

1.1.2. The effect of Initiative Taking (INT) on SME performance in Delta State, Nigeria

Initiative taking (IT) is a key characteristic of successful entrepreneurs, as it enables them to act early to identify opportunities and deal with challenges before they become bigger problems (Thornberry). Previous study show that SMEs that are proactive in taking initiatives are better able to adapt to market changes, innovate products and services, and expand their market reach (Gnizy et al., 2014).

However, in many developing countries, including Nigeria, structural barriers exist that can hinder the effectiveness of initiative-taking in improving SME performance. Factors such as limited capital, low government support, and unstable market conditions can reduce the positive impact of this proactive behaviour on SME performance (Gnizy et al., 2014). Therefore, while initiative-taking is often associated with improved competitiveness and business performance, its impact on SMEs in Delta State, Nigeria, warrants further investigation.

H0₂: Initiative Taking (INT) has no significant effect on the performance of SMEs in Delta State, Nigeria.

2. RESEARCH METHODS

2.1. Research Design

This study applied a descriptive survey design that allowed for the collection of primary data from respondents to analyse the relationship between proactive orientation, proxied through goal setting and planning (GSP) and initiative taking (INT), and the performance of small and medium enterprises (SMEs) in Delta State, Nigeria.

2.2. Population and Sample

The population in this study consists of owners, managers, and key decision-makers in SMEs operating in Delta State. Based on data from the Small and Medium Enterprises Development Agency of Nigeria, there are about 15,000 registered SMEs in the state, covering various sectors such as manufacturing, retail, and services. This population was selected because SME owners and managers have a major role in implementing proactive strategies and ensuring their business performance.

The sample size in this study was determined using the Taro Yamane formula, which is commonly used to calculate a representative sample size. With a population of 15,000 SMEs and a precision level of 5%, a sample size of approximately 390 respondents was obtained. This number was considered sufficient to proportionally represent the population of SMEs in Delta State.

The sampling technique was multi-stage. Firstly, Delta State was divided into three senatorial districts: Delta North, Delta South, and Delta Central. Next, the proportional stratification method was used to determine the number of respondents from each district based on the number of SMEs present. Finally, a simple random sampling technique was applied to select individual respondents, so that each SME had an equal chance of being involved in the study.

2.3. Data Collection Technique

Primary data were collected through a structured questionnaire distributed to SME owners and managers. The questionnaire was designed to gather information on the two main dimensions of proactive orientation (GSP and INT) and their impact on SME performance. To increase the response rate, the questionnaire was distributed both in person and through digital platforms.

The main instrument in this study was a questionnaire using a five-point Likert scale, where 1 indicates 'Strongly Disagree' and 5 indicates 'Strongly Agree'. The questionnaire was divided into two parts: the first part contained demographic information of the respondents, while the second part focused on the variables of proactive orientation and SME performance.

2.4. Data Analysis Technique

The reliability test in the study was tested using the Cronbach's alpha method. The test results show that all variables have a Cronbach's alpha value above 0.7, which indicates that the instrument has high internal consistency and is reliable in measuring the variables under study (Preston & Colman, 2000).

Regression analysis, were employed to test the hypotheses and determine the relationship between proactive orientation (proxied by GSP and INT) and SME performance. Statistical analysis was conducted using SPSS version 23.0. The multiple regression model used in this study is specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + X_2$$

Where:

Y = Performance of SMEs (PSME)

X1 = Goal Setting and Planning (GSP)

X2 = Initiative Taking (INT)

β_0 = Constant term

β_1 - β_4 = Coefficients of the independent variables

ϵ = Error term

3. RESULTS AND DISCUSSION

3.1. Research Results

3.1.1. Hypothesis 1

H0₁: There is no significant impact of Goal Setting and Planning (GSP) on the performance of SMEs in Delta State, Nigeria.

A sample of 390 SMEs in Delta State was surveyed to test this hypothesis. The respondents were chosen from a list of SMEs in various sectors across the state. Data were analyzed using multiple regression analysis to determine the impact of Goal Setting and Planning (GSP) on the performance of SMEs. The regression model was formulated as follows:

$$\text{Performance} = \beta_0 + \beta_1(\text{GSP}) \epsilon$$

Where:

Performance = Dependent variable representing SME performance

GSP = Independent variable representing Goal Setting and Planning

β_0 = Constant term

β_1 = Regression coefficient for GSP

ϵ = Error term

The regression results showed a positive relationship between Goal Setting and Planning (GSP) and SME performance. Specifically, the coefficient for GSP was 0.65, which was statistically significant at the 5% level ($p < 0.01$). The R^2 value was 0.75, indicating that 75% of the variation in SME performance can be explained by Goal Setting and Planning. The analysis suggests that well-structured planning and setting clear goals significantly contribute to the overall performance of SMEs in Delta State.

Decision:

Since the p-value is less than 0.05, we reject the null hypothesis (H_{01}) and conclude that Goal Setting and Planning (GSP) have a significant impact on the performance of SMEs in Delta State, Nigeria.

3.1.2. Hypothesis 2

H_{02} : Initiative Taking (INT) has no significant effect on the performance of SMEs in Delta State, Nigeria.

A correlation analysis was conducted to determine the relationship between Initiative Taking (INT) and SME performance. Data from the same 390 SMEs were used, and the Pearson correlation coefficient was calculated to determine the strength and direction of the relationship. The correlation results showed a positive and strong relationship ($r = 0.72$, $p < 0.01$) between Initiative Taking and the performance of SMEs in Delta State.

Further, a linear regression model was employed to assess the direct effect of Initiative Taking (INT) on SME performance. The regression model was specified as:

$$\text{Performance} = \beta_0 + \beta_1(\text{INT}) + \varepsilon$$

Where:

INT = Initiative Taking

β_1 = Regression coefficient for INT

ε = Error term

The regression results revealed that the coefficient for Initiative Taking (INT) was 0.58, and it was statistically significant ($p < 0.01$). This suggests that SMEs that engage in proactive initiative-taking behaviors—such as exploring new business opportunities, innovation, and risk-taking—experience higher levels of performance.

Decision:

Since the p-value is less than 0.05, we reject the null hypothesis (H_{02}) and conclude that Initiative Taking (INT) has a significant effect on the performance of SMEs in Delta State, Nigeria.

3.2. Discussions

3.2.1. The Effect of Goal Setting and Planning (GSP) on MSME Performance

Based on the results of multiple regression analysis, it was found that Goal Setting and Planning (GSP) has a significant influence on the performance of MSMEs in Delta State, Nigeria. With a regression coefficient of 0.65 and an R^2 value of 0.75, this result indicates that 75% of the variation in MSME performance can be explained by Goal Setting and Planning practices. This confirms that structured planning and clear goal setting contribute significantly to improved business performance. With a p-value of less than 0.05, the null hypothesis (H_{01}) is rejected, thus it can be concluded that Goal Setting and Planning (GSP) has a significant impact on MSME performance. This finding is in line with Eze and Ijeoma's (2020) research, which shows that MSMEs that implement strategic planning are more likely to have higher levels of profitability, better customer satisfaction, as well as greater market share. Practically, these results highlight the importance for MSME owners to actively set clear business objectives and develop strategic plans to improve operational efficiency and achieve long-term success.

3.2.2. The Effect of Initiative Taking (INT) on MSME Performance

Correlation and regression analyses show that Initiative Taking (INT) has a strong and positive relationship with MSME performance in Delta State, Nigeria. With a Pearson correlation coefficient of 0.72 and a regression coefficient of 0.58, these results suggest that MSMEs that adopt proactive behaviours, such as exploration of new business opportunities, innovation, and risk-taking, tend to perform better. With a p-value smaller than 0.05, the null hypothesis (H_{02}) is rejected, which means that Initiative Taking (INT) has a significant effect on MSME performance. This result is in line with the findings of Olayemi et al. (2021), who asserted that innovative and proactive behaviour is essential for MSMEs to face competition and thrive in a dynamic market. In Delta State, where MSMEs face various challenges such as limited access to finance and

intense competition, initiative taking in entering new markets or adopting new technologies can provide a significant competitive advantage.

4. CONCLUSIONS

This study confirms that both Goal Setting and Planning (GSP) and Initiative Taking (INT) are critical drivers of organizational performance in SMEs in Delta State, Nigeria. SMEs that engage in strategic planning and proactive behaviors like initiative taking experience improved performance in terms of profitability, market share, and customer satisfaction. These findings contribute to the existing body of knowledge on strategic management in SMEs and provide actionable insights for improving SME performance in Delta State.

Based on the findings of this study, several recommendations are provided to improve the organisational performance of MSMEs in Delta State. Firstly, MSMEs need to invest time and resources in the development of comprehensive strategic plans that clearly define their business objectives, target markets, and operational strategies. A well-structured plan will enable MSMEs to adapt to changing market conditions, improve decision-making, and achieve sustainable growth. In addition, MSMEs should regularly review and adjust their objectives to keep them relevant and achievable. Secondly, MSMEs should build a culture of innovation and initiative-taking within their organisations. Encouraging employees to take risks, explore new business opportunities, and adopt new technologies can help MSMEs differentiate themselves in the market. This can be done through training programmes, workshops, and creating an environment where innovation is rewarded.

Third, leadership plays a critical role in successful goal setting, planning, and initiative taking. MSMEs should focus on training and developing their leaders so that they have the necessary skills for strategic decision-making, innovation and risk management. Effective leadership will improve the performance of MSMEs by guiding them towards achieving business goals. Finally, given the resource constraints faced by many MSMEs in Delta State, collaboration with other businesses, government agencies, and financial institutions can help MSMEs access additional resources, knowledge, and market opportunities. This kind of collaboration can enable MSMEs to improve their competitiveness and performance. Overall, the results of this study confirm that a combination of good planning and a proactive attitude in conducting business is critical to improving MSME performance. Therefore, the development strategy for MSMEs in Delta State should emphasise on improving planning capabilities as well as encouraging the courage to take initiatives to seize wider business opportunities.

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