MEDIATING ROLE OF COMPETITIVE ADVANTAGE ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND SMALL AND MEDIUM ENTERPRISES (SMEs) PERFORMANCE IN ABUJA, NIGERIA

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DECLARATION

I declare that this dissertation entitled "Mediating Role of Competitive Advantage on the Relationship between Entrepreneurial Orientation and Small and Medium Enterprises Performance in Abuja, Nigeria" was written by me in International Centre in Rural Finance and Entrepreneurship, Department of Business Management Ahmadu Bello University Zaria. The information derived from the literature have been duly acknowledged in the text and on the list of references. To the best of my knowledge, no part of this dissertation was previously presented for the award of another degree or diploma in this university or any other institution.

Attah Peter EKPENYE Signature ..... Date: .....

DEDICATION

This study is dedicated to the Most High God, the Fountain of Living Water, for His mercy and ever wonderful love.

CERTIFICATION

This dissertation entitled "MEDIATING ROLE OF COMPETITIVE ADVANTAGE ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN ABUJA, NIGERIA" by ATTAH PETER EKPENYE meets the regulations governing the award of the Degree of Master of Science (M.Sc.), in Rural Finance and Entrepreneurship of the Department of Business Management, Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

Small and medium enterprises are considered to represent the driving forces of sustainable local economic development throughout the world. However, in the Federal Capital Territory (FCT), and Nigeria as a whole, SMEs performance has been below expectation. Entrepreneurial Orientation (EO) is regarded as a very important predictor of firm performance. However, there is still lack of sufficient studies that have examined the effect of EO on SME performance in a developing and unstable economy like Nigeria. As a result, this study investigated the effect of EO on SMEs performance using innovativeness, proactiveness and risk taking as proxies for measuring EO. The population consist of 2,690 registered SMEs operating within the federal capital territory with sample size of 427. Copies of the questionnaire were distributed using stratified sampling technique. 337 copies of the questionnaire were used for analysis. PLS-SEM path modelling was employed to analyze the data. Six hypotheses were developed in directional form and all were empirically supported. The findings provided that there is significant relationship between innovativeness, proactiveness, risk taking and performance. The study also concluded that competitive advantage mediates the relationship between innovativeness, proactiveness and risk taking. The study therefore recommended that Managers of SMEs should ensure they actively introduce innovations in their business processes; ensure they are always proactive in assessing and initiating new products or processes. Finally, firms should not shy away from taking calculated risks as this will enable them to enjoy competitive advantage over their rivals.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

The performance of small and medium enterprises (SMEs) has become a very important area to researchers as they are very important drivers of economic growth and development in any economy. SMEs are considered to represent the driving force of sustainable local economic development throughout the world. SMEs generate employment and diversify the economy (Stamatovića & Zakic, 2010). In addition, SMEs are regarded as the engines of growth and key source of dynamism, innovation and flexibility (Organization for Economic Co-operation and Development [OECD] 2010). In most economies, SMEs play important role in innovation, economic, social prosperity, and poverty reduction (OECD, 2010).

Haider, Asad and Fatima (2017) argued that SMEs play an important role in economic growth, innovation and competitiveness, which ultimately enhances the standard of living of people of any country. Similarly, Ismail, Dassanayaka and Mudalige (n.d) opined that in addition to SMEs contribution to economic development, SMEs play a key role in social development, reduction of poverty through more equal distribution of wealth, more engagement of female citizens, social stability through reduction in unemployment, use of domestic resources thereby creating a chain of new ventures that are important for the development of any country.

According to Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) (2013), SMEs are growth supporting sectors that not only contribute significantly to improve living standards, but also bring substantial local capital formation and are responsible for driving innovation and competition in developing economies. The Organisation for Economic Cooperation and Development [OECD] came to a conclusion that SMEs account for approximately about 90% of firms and employ about 70% of workforce in the world. It has

been observed by Abor and Quartey (2010) that SMEs contributes significantly to the Gross Domestic Product and employment rate of most nations of the world (OECD, 2016).

Precisely, in the United Kingdom (UK), SMEs account for over 99% of the UK's 3.8 million businesses, 56% of employment and 52% of total UK GDP (Peprah, Mensah & Akosah, 2016). Also in India, SMEs contribute about 45% of industrial output, 40% of exports, employ 60 million people, create 1.3 million jobs every year and produce more than 8,000 quality products for the Indian and international markets (Capacity Development Centre, 2012). And more recently SMEs contribute about 45% to the Indian GDP (Indian Bureau, of Statistics, Author Article, 2016) Abor and Quartey (2010) opined that in the report of United Nations Industrial Development Organisation, (UNIDO) in 1999, SMEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries. For example in Ghana, SMEs in the report of Capacity Development Centre Ghana, 2012, contribute not less than 75% to the GDP and therefore have significant impact on economic growth and accounted for about 75% of the nations total employment. In South Africa, SMEs contribute between 52% and 57% to the country's GDP and provide about 61% of employment to the citizens of the country (Abor & Quartey, 2010). Also, in Nigeria SMEs for the past five years contribute about 48% to the GDP and above 50% employment opportunities (NBS, 2017). According to the Director, Monitoring and Research Division, Banji Oyelaran-Oyeyinka, SMEs in countries at the same level of development with Nigeria, contributes much higher proportion to GDP than currently observed in Nigeria. Similarly, the minister of communication in Nigeria, Adebayo Shittu, decried the poor contribution of the SMEs to the GDP in Nigeria, even as noted that currently 96 percent of businesses in the country are controlled by SMEs.

Abdullahi, Abubakar, Aliyu, Umar, Umar, Sabiu, Naisa, Khalid, and Abubakar, (2015), argued that SMEs in Nigeria should be providing over 65% of employment to Nigerians and

contributes significantly to the GDP of the country. However, the authors further argued that SMEs sector in Nigeria remains stagnant as a result of so many problems that faces the industry. The cause of the underperformance of SMEs in Nigeria may be attributed to lack of access to finance (Olughor, 2015), behaviour of the entrepreneur (Arshad, Rasli, Arshad & Zain, 2014) and the turbulence in the business environment (Teece, 2007). As critical as these factors, the underperformance especially in Nigeria is believed to be caused by unfavourable competitive advantage and lack of proper orientation of the entrepreneurs.

One of the prominent reasons that have been outlined by Arshad *et al.,* (2014) that might be responsible for the underperformance of SMEs in Nigeria is the behaviour of entrepreneurs, which can be referred as Entrepreneurial Orientation [EO] (Arshad *et al.,* 2014). EO represents the overall organisational entrepreneurial abilities. EO may be a very important predictor of SME performance especially when SMEs are operating in a turbulent business environment like Nigeria (Jalali, 2012; Hoq & Chauhan, 2011). Consequently, EO may be very useful for entrepreneurs when operating in a turbulent business environment, as turbulence has been earmarked by Teece (2007) as one of the reasons for underperformance of SMEs. Teece (2007) also opined that SMEs with high EO may have a superior performance especially within fast-changing industries.

EO has been studied using different dimensions by authors. For example Miller (1983) conceptualise EO as having three dimensions, namely, innovativeness, proactiveness and risk taking. EO was measured using the three dimensions developed by Miller (1983), (Mahmood & Hanafi, 2013). EO is a crucial factor that help firm to build and sustain a competitive advantage, particularly for those firms in fast-changing market environments. (Racela, 2014). EO can be seen as a potential source of competitive advantage; and equally a potential source of higher competitive performance of SMEs. Mahmood and Hanfi (2013). Thus, the study

considered the mediating effect of competitive advantage on the relationship between EO and SME performance.

1.2 Statement of the Problem

SMEs that display high EO may enjoy competitive advantage (Al-Swidi & Al-Hosam, 2012), and if sustained might lead to superior long-term performance as argued by the resource based view of the firm (RBV) developed by Barney (1986). The resource-based view (RBV) argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage (Barney, 1986). Consequently, adhering to the postulations of the RBV, competitive advantage can act as a mediator between EO and performance. However, less attention has been paid to the mediating effect of competitive advantage on the relationship between EO and SME performance (Ibrahim & Mahmood, 2016). Very few studies (Ibrahim & Mahmood, 2016; Mahmood & Hanafi, 2013) have examined the mediating effect of competitive advantage on the relationship between EO and SME performance. Consequently, this study aim to fill this gap of knowledge by examining the relationship between EO and SME performance through competitive advantage.

The study of Ibrahim and Mahmood (2016) and that of Mahmood and Hanafi (2013) examined the effect of EO on SME performance, studying competitive advantage as a mediating variable. However, these studies (i.e., the studies of Ibrahim & Mahmood, 2016 and Mahmood & Hanafi, 2013) exhibited some weaknesses which needed to be improved on. For example in the study of Ibrahim and Mahmood (2016), the authors failed to report the sampling technique adopted for their study. In addition, the authors also opted to measure EO as a unidimensional construct. This study measured EO based on the three dimensions

developed by Miller (1983). On the other hand, the study of Mahmood and Hanafi (2013), with a population of 1040, utilised just 165 responses for analysis, which constitutes just 15.86 response rate. The response rate of their study is considered not suitable for analysis (Tabachnick & Fidell, 2013). Similarly, as in the case of Ibrahim and Mahmood (2016), the study of Mahmood and Hanafi (2013) studied EO as a unidimensional construct.

EO in this study was measured by three variables (i.e., innovativeness, proactiveness and risk taking) which formed the independent variables of the study. Innovativeness reflects the tendency to engage in and support new ideas, novelty, experimentation and creative processes resulting in newness (Arshad *et al.,* 2014). Innovativeness has been found as an important predictor of SME performance by different authors (e.g., Mbizi, Hove, Thondhala & Kakava, 2013; Al-Swidi & Al-Hosam, 2012). Despite the importance of innovativeness in predicting SME performance, no study to the best knowledge of the researcher has examined the indirect effect of innovativeness on SME performance through competitive advantage.

Proactiveness on the other hand reflects the tendency to engage in and support new ideas, novelty, experimentation and creative processes resulting in newness (Lumpkin & Dess, 1996). Similarly to innovativeness, Al-Swidi and Al-Hosam (2012) found proactiveness to be positively related to organisational performance. Very little is known on the effect proactiveness has on SME performance especially in developing economies (Syed, Muzaffar & Minaa, 2017). In addition, little is known on the mediating effect of competitive advantage on the relationship between proactiveness and SME performance.

Finally, risk taking is the willingness of entrepreneurs to engage in calculated business risk (Brockhaus, 1980). Risk taking has been seen by Owoseni and Adeyeye (2012) to also positively predict SME performance. However, there is little knowledge on the effect of risk taking on competitive advantage, as postulated by the RBV. Competitive advantage as opined

by Tovstiga and Tulugurova (2009) affirmed that internal resources of the firm are the determining factor of competitive advantage in small and medium enterprises. The resources that are rare and unique creates superior values to their customers and eventually lead to high performance Mamood & Hanafi, (2013). Consequently, it is important to assess the mediating role of competitive advantage on the relationship between risk taking and SME performance, as there is little knowledge in that regard in the literature.

In summary, the study filled these identified gaps in the literature by examining the effect of innovativeness, proactiveness and risk taking on SME performance, with competitive advantage mediating the relationships. In the available literature to the researcher, very few studies have examined the mediating effect of competitive advantage on the relationships between innovativeness, proactiveness, risk taking and SME performance. In addition, as observed by Syed *et al.,* (2017) and Jabeen *et al.,* (2013), in developing countries, research on EO and SME performance is limited and even the studies that have been conducted have focused majorly on EO as a unidimensional construct (e.g., Ibrahim & Mahmood, 2016; Mahmood & Hanafi, 2013).

1.3 Research Questions

The study seeks to answer the following questions:

i. Does innovativeness have effect on small and medium enterprises performance in Abuja, Nigeria?
ii. Does proactiveness have effect on small and medium enterprises performance in Abuja, Nigeria?
iii. Does risk taking have effect on small and medium enterprises performance in Abuja, Nigeria?

iv. Does competitive advantage mediate the relationship between innovativeness and small and medium enterprises performance in Abuja, Nigeria?
v. Does competitive advantage mediate the relationship between proactiveness and small and medium enterprises performance in Abuja, Nigeria?
vi. Does competitive advantage mediate the relationship between risk taking and small and medium enterprises performance in Abuja, Nigeria?

1.4 Objectives of the Study

The major objective of this study is to examine the mediating role of competitive advantage on the relationship between entrepreneurial orientation and SME performance in Abuja Nigeria. The specific objectives of this study are to:

i. Determine the effect of innovativeness on small and medium enterprises performance in Abuja, Nigeria.
ii. Examine the effect of proactiveness on small and medium enterprises performance in Abuja, Nigeria.
iii. Assess the effect of risk taking on small and medium enterprises performance in Abuja, Nigeria.
iv. Assess the mediating effect of competitive advantage on the relationship between innovativeness and small and medium enterprises performance in Abuja, Nigeria.
v. Determine the mediating effect of competitive advantage on the relationship between proactiveness and small and medium enterprises performance in Abuja, Nigeria.
vi. Examine the mediating effect of competitive advantage on the relationship between risk taking and small and medium enterprises performance in Abuja, Nigeria.

1.5 Research Hypotheses

The following hypotheses were formulated for testing:

H_1: innovativeness has significant effect on small and medium enterprises performance in Abuja, Nigeria.

H_2: proactiveness has significant effect on small and medium enterprises performance in Abuja, Nigeria.

H_3: risk taking has significant effect on small and medium enterprises performance in Abuja, Nigeria.

H_4: competitive advantage mediates the relationship between innovativeness and small and medium enterprises performance in Abuja, Nigeria.

H_5: competitive advantage mediates the relationship between proactiveness and small and medium enterprises performance in Abuja, Nigeria.

H_6: competitive advantage mediates the relationship between risk taking and small and medium enterprises performance in Abuja, Nigeria.

1.6 Significance of the Study

This study confirmed the resource based view of the firm by studying competitive advantage as a mediator on the relationships between innovativeness, proactiveness, risk taking and performance. Therefore, this study contributes immensely to the body of knowledge by examining whether competitive advantage can mediate the relationship between the independent and dependent variables of this study. There are few studies that have examined competitive advantage as a form of mediator into the relationships between the exogenous and the endogenous variables of this study. As a result, this study will contribute theoretically to the body of knowledge.

The recommendations provided by the study generated several managerial contributions to entrepreneurs in F.C.T as a whole. Entrepreneurs in F.C.T, would be able to discerned factors that made them enjoy competitive advantage over their rivals, which might consequently lead to superior performance on their part. The application of the recommendations of this study by entrepreneur generate solutions to their performance problems, and enjoy and sustain their competitiveness over their rivals, as it has been documented that most SMEs in FCT are under performing. It is also believed that SMEs in FCT are operating in a highly competitive and turbulent environment. SMEs that applied the recommendations of this study will be able to withstand the adverse effect of the turbulence in the environment, and still perform up to expected level.

1.7 Scope of the Study

This study was concerned with SMEs operating in the Federal Capital Territory, Abuja. Abuja is the capital city of Nigeria and has the sixth highest number of SMEs according to SMEDAN report in (2013). The study covers the entire SMEs sector operating within Federal Capital Territory. The study only focuses on owners and managers of SMEs because they are in the better position to provide detailed and accurate information to the researcher.

1.8 Limitations of the Study

The major limitation of this study is that the study is a cross sectional study, as data were collected at a single period of time from SMEs operating in Abuja, Nigeria. In addition, the scope of this study is small, as it was limited to SMEs operating only in Abuja, Nigeria. Finally, entrepreneurial orientation proxies by Miller (1983) have been built upon Lumpkin and Dess (1996) by adding two more proxies to the three proxies developed by Miller (1983). Lumpkin and Dess (1996) added aggressiveness and autonomy as dimensions of entrepreneurial orientation, bringing it up to five dimensions. However, this study only

examined the three dimensions of entrepreneurial orientation developed by Miller (1983) neglecting aggressiveness and autonomy added by Lumpkin and Dess (1996).

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter explained each of the concepts in the study. The relationship between the independent variables and the dependent variables were established. Competitive advantage was shown to be able to perform the role of a mediator. The theory that explains the relationships in this study was outlined and discussed. Finally a research model was proposed.

2.2 Concept of Performance

Organizational performance as defined by Effendi, Hadiwidjojo and Noermijati, (2013) as the management decisions' outcome to achieve particular objective in effective and efficient way. Similarly, Drucker (1985) saw performance as the level of achievement or obvious outcome to obtain positive result.

Sidek, Mohamad and Nasir (2016) argued that performance of an organisation is based on the result from various strategies that are adopted by the organization itself. Similarly, Harabi (2007) indicated that business strategies, location, price competitor, company liability, market demand and certain government policies are principal factors of firm performance. Simply, (Herath and Mahmood, 2013) referred generally to firm performance as the success of the firm. Flapper, Fortuin, and Stoop (1996) defined firm performance as the way an organization carries its objectives into effect.

Performance is the outcome achieved in meeting internal and external goals of a firm (Lin, Peng & Kao, 2008).Organisational performance is seen as a measure of organisational success with regards to the value it delivers to both internal and external customers (Antony & Bhattacharyya, 2010). Aminu and Shariff (n.d) in their definition explained SME

performance as how a firm is providing value to its stakeholders and customers. The authors further argued that firm performance is a measure of actions that lead to the achievement of firm's aims and objectives. Bature and Hin (2017) regarded firm performance as the actual financial or non-financial outcomes of the efforts of a firm in achieving it stated goals and objectives (Lin, Peng, Kao, 2008).

Firm performance is like a mirror (Rosli & Sidek, 2013), which enables an organisation evaluate a firm's ability (Rosli & Sidek, 2013). Firm performance determines how a firm achieves its objectives, goal or standard (Okeyo, Gathungu & K'Obonyo, 2016). Firm performance is a function of market structure and the behaviour of firms within the competitive and turbulent business world (Jabeen, Alekam, Aldaloud, Mat, Zureigat, Nahi, Junaidi, & Hassan 2013). Performance is seen by people as synonymous to survival, growth, success and competitiveness (Rosli & Sidek, 2013). The large heterogeneity existing among firms has been seen as the main reason for differences in the definition of performance (Tajeda, 2015).

2.3 Measurement of Performance

The measurement of performance has remained a thorny issue in academic research till date. Performance is usually regarded as a contextual issue (Okeyo *et al*., 2016). Researchers have taken a look at firm performance using different approaches based on their objectives and the prevailing environmental condition (Bature & Hin, 2017).The measurement of firm performance or effectiveness still eludes a widely accepted agreement (Ibrahim & Mahmood, 2016; Ismail *et al.,* n.d). Due to the differences of the organizational performance definitions, there has been a continuous debate regarding which is the best measure of the organizational performance (Jusoh, Ibrahim, & Zainuddin, 2008). There are majorly two indicators of

performance, they are financial and non-financial performance measurement system (Bature & Hin, 2017).

The financial measurement focuses mainly on the financial resources; while the non-financial measurements talk more about customers' satisfaction, quality of products, delivery time and supply reliability. Ahmad and Zabari, (2015)

Several scholarly journals have also group organizational performance measurement under the heading of objective and subjective measures. The objectives measures focus on the financial indicators; while subjective measure, measures or evaluate respondents and focuses on the overall organizational (SMEs) performance, Dess & Robinson (1984), Kim, (2006). Whether one employs objective or subjective measures of performance is a matter of researcher choice and objective of the study (Singh, Darwish & Potocnick, 2016). Developing subjective measures is necessarily important in order to address the difficulty of obtaining objective measures especially in the privately owned small businesses (Aminu, 2015). Subjective measures are often responded by firm chief executive officers, managers or equivalents, who are the gatekeepers of that objective financial performance. Hence, they can appropriately rate the performance in a subjective term, as such this study employed subjective performance measurement indicators in order to ask respondents of the rate of their performance.

2.4 Concept of Entrepreneurial Orientation (EO)

EO stresses the key role of top managers or executives in the decision making processes, stems from the entrepreneurship concept (Lu & Zhang, 2016). EO is often mentioned as an antecedent of superior performance (Kraus, Rigtering, Hughes & Hosman, 2012). Over time several definitions of EO have emerged (Pascal & Shin, 2015).EO has received considerable interest in entrepreneurship research and numerous studies have examined the relationship

between EO and various dimensions of SMEs performance (Samuelsson, 2016). Lumpkin and Dess (1996) explained EO as the process, practice, and decision-making activity that leads to new entry. Entrepreneurial orientation reflects a firm's propensity to engage in innovative, proactive and risk-taking behaviour to achieve its set objectives (Covin & Slevin, 1991). Lumpkin and Dess (1996) outlined that EO is a very important key factors that enhances performance (Wang, 2008). EO is the extent to which a firm is entrepreneurial, and is one of the few qualities firms can sustainably rely on (Semrau, Ambos & Kraus, 2015). In the definition of Miller and Friesen (1982), explained EO as a concept which is often determined by a firm leadership role based on its temperaments and goals. EO has been termed as been a very important contributor to healthy business performance (Zainol & Ayadurai, 2011). EO describes the behaviours of entrepreneurs and individual traits (Lu & Zhang, 2016). Everything about entrepreneurial orientation is either aimed at attracting new customers or maintaining existing ones, ahead of competitors (Arisi-Nwugballa *et al.*, 2016).

EO has been operationalised differently by various scholars. Al-Swidi and Al-Hosam (2012) opined that some authors have used five dimensions to explain the EO construct namely, innovativeness; proactiveness; risk taking; autonomy; and competitive aggressiveness, many others used only the first three (i.e., innovativeness, proactiveness and risk taking) dimensions as developed by Miller (1983). Miller (1983) argued that an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch. From the definition of Miller (1993) it can be deduced that EO is a multidimensional construct (Pascal & Shin, 2015). Miller (1983) tentatively viewed EO as a composite weighting of three variables; namely innovativeness, proactiveness and risk taking. (Covin & Slevin, 1989).

Later Lumpkin and Dess (1996) added two more variables namely, autonomy and competitive aggressiveness. This study was concerned with the three variables

innovativeness, proactiveness and risk taking used by Miller (1983) to measure EO as it has been widely used by researchers in the literature. Zeebaree & Siron (2017).

2.4.1 Innovativeness

Innovativeness deals with new ideas, experiences, novelty and inventive processes which are different from current practices (Lumpkin & Dess, 1996). Similarly, Morris, Schindehutte and LaForge (2002) explained innovativeness as a tendency to search for novel, unusual, or creative solutions to challenges. Innovativeness may occur in relation to product, process and organization (Çömez & Kitapçi, 2016). Innovation means novelty, new things being done, or old things being done in new ways to increase performance in terms of sales, profitability and market shares in an organization (Zwingina & Opusunju, 2017). The authors further argued that innovativeness is an application of technological, institutional, human resources and discoveries to productive processes, resulting in new practices, products, markets, institutions and organisations that need organizational improvement or performance in terms of sales, profitability and market shares.

Wang, Zhao and Voss (2015) defined innovativeness as the use of new solutions to meet new or existing customer and market requirements. Covin and Slevin (1991) defined innovativeness as a firm's propensity to experiment with new ideas in order to activate a process that results in new products, services, or technological development. Innovativeness is an important component for economic development and the growth of any enterprise, and for the competitiveness of any firm (Serna, Martinez & Martinez, 2016).

Robbins and Coulter (2006) asserted that innovation is the process of taking creative ideas and turning them into useful products or work methods. Innovation can come in different forms namely, product innovation, process innovation, marketing innovation and organisational innovation (Zwingina & Opusunju, 2017).The innovation of a product includes

the development of new products, improvements of existing products and the adoption of new products (Serna *et al.,* 2016).

The innovation on the processes of production is defined as the action that guides the processes of innovation (Serna *et al.,* 2016). Innovativeness is reflected in the frequency of changes in product lines, investment in both human and material resources, and commitment innovation activities (Boohene, Marfo-Yiadom & Yeboah (2012). The importance in both manufacturing and service industries is well recognized (Wang *et al., 2*015).However, SMEs that are financially constrained may face difficulties in pursing innovation (Hafeez, Shariff & Lazim, 2012).Franco and Haase (2013) outlined that limited allocation of resources for innovative activities may be one of the greatest barrier to innovation within organisations. On the other hand, SMEs that enjoy sound financial health can afford experimentation and follow innovative procedures more rigorously (Castrogiovianni, 1996).Innovation has been identified in literature as a capacity that must be developed in order to ensure the best performance of the companies (Serna *et al.,* 2016).

Firms that are highly innovative may be able to reconfigure their competitiveness when operating under intense competition and under the global economic framework (Rosli & Sidek, 2013). Casals (2011) argued that increase in competition forces SMEs to be innovative, flexible and think of imaginative ways to survive.

2.4.2 Proactiveness

The level of entrepreneurial proactiveness in a firm often decides the extent to which it will survive in a changing market, especially for SMEs which have limited resources when compared with large organisations (Wang, Hermens, Huang & Chelliah, 2015). Lumpkin and Dess (2001) explained proactiveness as the process of anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of

operations. Proactiveness is often defined as opportunity seeking and exploitation of resources that can be a source of competitive advantage (Wang *et al.,* 2015). Proactiveness concerns the importance of initiative in the entrepreneurial process (Kraus *et al.,* 2012). Lumpkin and Dess (1996) argued that a firm can create competitive advantage by being proactive.

Okpara (2009) explained proactiveness as an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services before the competitors, and ahead of future demand. The essence of proactiveness is to be ahead of competitors and, by so doing, gain first mover advantage and generate customer loyalty (Ambad and Wahab, 2013).Proactiveness reflects firm's actions in exploiting and anticipating emerging opportunities to develop and introduce as well as making improvement towards a product (Lumpkin and Dess, 1996).Proactiveness is associated with striving for first mover advantages (Jalali, 2012; Lumpkin, Cogliser & Schneider, 2009), as Proactiveness is a forward looking, opportunity seeking perspective (Ahuja & Lampert, 2001). Lu & Zhang, (2016), argued that it is important that firms are forward looking, as it may ensure that entrepreneurs that are forward looking may be able to outperform and beat their rivals. Proactiveness is related with seeking an opportunity, forward-looking perspective involving the introduction of new products or services ahead of the competition (Arief *et al.,* 2013). Owoseni and Adeyeye (2012) related that pro-activeness is the competence of an entrepreneur in assessing and addressing in advance from all sources the risks that threaten the achievement of an enterprise's strategic objectives and effectively find solutions in advance to these risks. Proactiveness is positively related to sales level, sales growth, and gross profit (Kreiser *et al*., 2002).

Li, Zhao, Tan & Liu (2008) argued that the competitive advantage of SMEs often depends on the speed with which they enter the market and meet the customers. Chenous & Maru, (2015)

argued that firms that are proactive are believed to enjoy higher organisational performance. Proactiveness means a firm's alertness to business opportunities, and how responsive the firm is to trends and developments in the marketplace (Aderemi, 2013). The author further argued that proactiveness is described by environmental scanning, opportunity identification methods, and firm's alertness to competition in the marketplace.

2.4.3 Risk Taking

Entrepreneurial risk taking is another key dimension of entrepreneurial orientation which is embedded on SMEs' operational activities substantially (Wang, Hermens, Huang & Chelliah, 2015). Risk taking as defined by Lumpkin and Dess (1996) as the willingness to commit resources to undergo activities and projects which the result is uncertain. Miller and Freisen (1982) explained that risk taking is the firm knowingly devoting resources to projects with chance of high returns but may also entail a possibility of high failure. An entrepreneur that is a risk taker will in most cases ignore all obstacles and exert concerted efforts to achieve high performance (Jalali, 2012). Covin and Slevin (1991) defined risk taking as the extent to which a firm is willing to make large and risky commitments. Lumpkin (2005) argued that there are three types of risk-taking that entrepreneurs may confront. They are business risk-taking, financial risk-taking and personal risk-taking. Miller and Freisen (1982) opined that firms that are entrepreneurial (i.e., firms that are innovative, proactive and always take risk) unlike conservative firms boldly take considerable risk in order to beat their competitors.

Brettel, Chomik, & Flatten (2015) defined risk taking as the degree to which a business will make extensive and dangerous decisions by becoming the first mover in the market. Risk taking refers to a firm's ability to engage in high-risk projects to achieve firm objectives (Miller, 1983). Risktaking, is often used to describe the uncertainty that follows from behaving entrepreneurially (Kraus *et al.,* 2012). The authors argues that the value of risk-

taking is that it orients the firm towards the absorption of uncertainty as opposed to a paralyzing fear of it. In the view of Pascal and Shin (2015), risk taking involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments. According to Wang *et al.,* (2015), Risk taking is a combination of bold intension and activities that a firm takes to improve its business returns and effectively increase the growth.

Chua (2014) asserts that risk taking largely reflects the organization's willingness to break away from and venturing into the unknown. Risk taking has been explained by Anlesinya, Eshun and Bonuedi (2015) as taking daring actions by undertaking the uncertainty, borrowing heavily, and or committing significant economic resources to undertake the unknown. Entrepreneurial firms tend to take more risks than other types of businesses and were more proactive in searching for new business opportunities (Kreiser *et al.*, 2002). Pearce, Fritz and Davis (2010) in their definition explained risk-taking as entering into a costly commitment that has an uncertain future outcome. To Mahmood and Hanafi (2013), risk-taking means knowingly devoting resources to projects with chance of high returns but may also entail a possibility of high failure.

2.5 Concept of Competitive Advantage

Competitive advantage is a positional superiority based on the provision of superior customer value or the achievement of lower relative costs (Gitau, Mukulu & Kihoro, 2016).Competitive advantage has different meanings and there is no agreement on a single conceptually clear and unambiguous definition (Sigalas & Economou, 2013). It has been argued that there are three sources of competitive advantage. They are differentiation, cost leadership and focus. Competitive advantage can be achieved by producing competitive products and services that can compete at any level with competitors (Connor, 1999).To

survive and win, a firm has to gain advantage over its competitors and earn huge profit (Zeebaree & Siron, 2017). The authors explained competitive advantage as a process of strategies adopted by a firm to enjoy differentiation and low-cost resulting in an advantageous position to the firm over its competitors.

A firm enjoys competitive advantage when it can create more economic value than its competitors (Barney & Hesterly, 2010). Eniola and Entebang (2014) argued core competencies and distinctive competencies of entrepreneurs are prominent factors that helps SMEs to have competitive advantage over their competitors. Competitive advantage gives a firm an edge over its competitors and enjoy higher ability to generate greater value for the firm and its stakeholders (Uchegbulam, Akinleye & Ibidunni, 2015). Competitive advantages are formed by activities of an organisation that are better than their competitors.

2.5.1 Mediating Role of Competitive Advantage

To survive and win, firm has to gain advantage over its competitors. Competitive advantage as defined by Rothaermel (2013) is a process by which a firm formulates and implement strategy that leads to superior performance. A mediating variable is relevant wherever a researcher want to understand the process by which two variable are related, such that one variable causes a mediating variables which then causes dependent variable (Mackinnon, 2011) .

The role of competitive advantage as mediator is to add value (differentiation and low cost) to the customer and to further explain the relationship between the independents variable and dependent variable.

2.6 Overview of Small and Medium Enterprise

SMEs have been given different definitions by authors, regions and institutions. The European Commission promotes the criterion of the number of staff as the main criterion for defining SMEs, while the World Bank uses three quantitative criteria for defining SMEs: number of employees, total assets in U.S. dollars and annual sales in U.S. dollars. The European Commission defined SMEs as any business enterprise that has more than 10 employees but less than 250 employees, with an annual turnover more than £2 million but less than or equals to £50 million. On the other hand, World Bank defined SMEs as any business enterprise with more than 10 employees but less than 300 employees, with total assets worth more than $10,000 but worth less than $15,000,000 (Berisha & Pula, 2015).

In Ghana for example, SMEs are defined as business enterprises having annual turnover of between $23,700 and $2,370,000. In Thailand, however, whose Gross National Income (GNI) per capita is five times that of Ghana, SMEs are defined as any business enterprise with revenues ranging from $84,400 to $8,440,000. On the other hand, the African development bank defined SMEs as any business enterprise having a maximum of 50 employees, while the Asian development bank has no official definition for SMEs, they use only definitions of individual national governments (Gibson & Vaart, 2008). In Nigeria, SMEs are defined as business enterprises with 10 to 199 employees, with an annual turnover of N5,000,000 to N500,000,000 Nigerian Naira excluding land and buildings (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] 2013). In Nigeria, SMEs cover economic activities within all sectors (i.e., manufacturing, building and construction, agriculture, tourism, etc.) (Abdullahi, et al., 2015). The study adapts the definition of small and medium development agency o Nigeria (SMEDAN).

2.7 Innovativeness and Performance

Various studies have been conducted to examine the effect innovativeness has on performance of any enterprise. For example Olughor (2015) examined the effect of innovation on the performance of SMEs in Nigeria. The study found innovation to influence SME performance positively. Similarly, Owoseni and Adeyeye (2012) carried out a study on the role of innovativeness on the perceived performance of SMEs in Nigeria. The study found out that entrepreneurial innovativeness influences SMEs performance in Nigeria. In addition, Fairoz *et al.,* 2010 carried out a study on the relationship between entrepreneurial innovativeness and SME performance in Sri Lanka. The study found a positive significant relationship between innovativeness and performance. Swierczek and Ha (2003) explored the relationship between innovativeness and performance. Similarly, the study found innovativeness to influence performance of SMEs in Thai.

Kraus *et al.,* (2012) examined the effect of innovativeness on SME performance in the Netherlands. The authors found innovativeness to positively influence the performance of SMEs in the Netherlands, just as Njogu (2014) found innovativeness to influence the performance of SMEs in Nairobi, Kenya. Similarly findings is the study of Byukusenge, Munene and Orobia (2016) in Rwanda. The authors examined the relationship between innovativeness and SME performance in Rwanda. The study concluded that innovativeness has positive significant effect on the performance of SMEs in Rwanda. In Australia is the study of Al-Ansari, Altalib and Sardoh (n.d) where the authors determined the effect of innovativeness on SME performance in Australia. Similarly, the authors found innovativeness to be positively related to the performance of SMEs in Australia. Hanzaee, Nayebzadeh and Jalaly (2012) examined the effect of innovativeness on performance of clothing manufacturing firms in Iran. The study found out that innovativeness has effect on the performance of the clothing manufacturing firms in Iran.

2.8 Proactiveness and Performance

Various studies have been done to examine the relationship between proactiveness and the performance of firms in different countries. For example, the study of Al-Swidi and Al-Hosam (2012) examined the relationship between proactiveness and the performance of banks in Yemen. The study examined proactiveness as a dimension of entrepreneurial orientation. The study authors found entrepreneurial orientation to have significant effect on the performance of banks in Yemen. Similarly, Arshad *et al.,* (2014) examined the effect of proactiveness on the performance of technology-based SMEs in Malaysia. The study found proactiveness to be a very important predictor of technology-based SMEs in Malaysia. Jalali (2012) also examined the effect proactiveness has on export performance of firms in Iran. The study in the same vein found proactiveness to significantly positively affect the export performance of firms in Iran.

In Korea, Lu and Zhang, (2016) examined the effect of proativeness on the performance of SMEs. The authors reported that proactiveness has significant effect on the performance of SMEs in Korea. Having similar findings is the study of Avlonitis and Salavou (2007). The authors examines the relationship between proactiveness and the manufacturing firms in Greece. The study also found proactiveness to be related to the product performance of the manufacturing firms in Greece. Similarly, Haider *et al.,* (2017) examined the effect of proactiveness on the performance of manufacturers in Punjab, Pakistan. The study found proactiveness to have effect on the manufacturer's performance.

Fairoz *et al.,* (2010) examined the effect proactiveness has on the performance of SMEs in Sri Lanka. The study found out that proactiveness influence the performance of SMEs in Sri Lanka. On the contrary to the findings of the aforementioned studies, is the study of Owoseni and Adeyeye (2012) in Nigeria. The study examined the role of entrepreneurial orientations

on the performance of SMEs in Nigeria. The study concluded that proactiveness do not independently predict the performance of SMEs in Nigeria. Based on the findings of the studies that have examined the relationship between proactiveness and SME performance, mostly, it is seen that proactiveness has effect on the performance of SMEs, except for the study Owoseni and Adeyeye (2012).

2.9 Risk Taking and Performance

Risk taking has been established by previous related studies to have influence on firm performance. Haider *et al.,* (2017) carried out a study to determine the relationship between risk taking and the performance of SMEs in Pakistan. The study asserted that risk taking has a positive relationship with the performance of SMEs in Pakistan. Similarly, Arshad *et al.,* (2014) found risk taking to have effect on the performance of SMEs in Malaysia. Studying the SMEs in South Korea is Lu and Zhang (2016). The authors examined the effect of risk taking on the performance of SMEs in South Korea. The authors concluded that risk taking has a significant effect on the performance of SMEs in South Korea. Similarly, Jalali (2012) examined how risk taking influences the export performance of firms in Iran. The study found risk taking to be a very important predictor of export performance of firms in Iran. Fairoz *et al.,* (2010) carried out a study on the effect of risk taking on the performance of SMEs in Sri Lanka. The authors found risk taking to be significantly related to performance of SMEs in Sri Lanka.

2.10 Review of Empirical Studies

Kaya and Ağca (2009) carried out a study on the effect of EO on the performance of Turkish manufacturing firms. The objective of the study was to examine whether entrepreneurial innovativeness, entrepreneurial proactiveness and entrepreneurial risk taking has effect on the performance of manufacturing firms in Turkey. The study collected data from 94

manufacturing Turkish firms. The study utilised multiple regression to analyse the data collected. Result showed that innovativeness and proactiveness have significant effect on firm performance. On the other hand, risk taking does not have significant effect on firm performance in Turkey. The number of responses used for analysis is considered inadequate and may not be sufficient for their study. The present study however, improved on the shortcoming of the study by increasing the sample size. In addition, the present study equally improved on the study of Kaya and Ağca (n.d) by including a mediating variable in the model as postulated by the resource based view of the firm.

Gholami and Birjandi (2016) examined the relationship between entrepreneurial orientation and SME performance. The purpose of their study was to determine the impact of entrepreneurial orientation on the performance of SMEs. The study utilised questionnaire to collect necessary data from respondents. 390 questionnaires were used for analysis. The study found entrepreneurial orientation to have positive significant effect on the performance of SMEs. The present study however improved on the study methodologically, by carrying out some important tests (e.g., convergent and discriminant validity test) the study failed to do for better result.

The influence of entrepreneurial orientation and business performance was examined by Rauch, Wiklund, Lumpkin and Frese (2004). The study utilised primary source of data by using questionnaire. 53 responses were used for analysis by the authors. The study utilised correlation analysis to analyse data collected. The study found entrepreneurial orientation to have effect on business performance. The responses used by the study for analysis was inadequate, which was improved on by this study, for better findings. Also, this study included a mediator in the model, which made this study different from the study of Rauch *at al.,* (2014).

Belgacem (2015) carried out a study on the effect of entrepreneurial orientation on firm performance studying Tunisian companies. The purpose of the study is to examine the relationship between the three main dimensions of entrepreneurial orientation and the performance of firms operating in Tunisia. The study utilised 100 questionnaires for analysis. The study utilised multiple regression analysis to analyse data. The study found out that the trio of innovativeness, proactiveness and risk taking has significant effect on the performance of firms in Tunisia. This study is not free from any shortcoming. The sample size used for analysis in the study is grossly inadequate. The sample size should have been higher.

Kumarpeli and Semasinghe (2015) examined the impact of entrepreneurial orientation on the growth of SMEs in Sri Lanka. The objective of the study is to examine the relationships between innovativeness, proactiveness and risk taking on the growth of SMEs in Sri Lanka. The study used questionnaire to collect data from respondents. The study found out that innovativeness and risk taking has positive significant effect on the growth of SMEs in Sri Lanka. However, proactiveness was found by the authors not to influence the growth of SMEs in Sri Lanka. The authors failed to report the number of questionnaires that were used for analysis. In addition, the authors failed to carry some basic preliminary tests before carrying out the correlation analysis.

Ali and Ali (2014) examined the relationship between entrepreneurial orientation and performance of women owned and managed micro and small enterprises in Somalia. The study investigates the effect of innovation, risk taking and Pro-activeness on business performance. The study utilised purposive sampling to distribute questionnaires to 200 women from women owned companies in Somalia. The study utilised multiple regression analysis to analyse data. The study found innovativeness and risk taking to have effect on the performance of women owned firms in Somalia. However, the authors concluded that proactiveness not to be significantly related to business performance. The authors utilised non

probability sampling to distribute questionnaires to respondents, which serve as a flaw to the study. The authors also failed to carry some basic preliminary test before carrying out multiple regression analysis.

Khadhraoui, Lakhal, Plaisent and Bernard (2016) carried out a study on the impact of entrepreneurial orientation on performance. The aim of the study is to examine the impact of entrepreneurial orientation on spin-offs´ performance. The study utilised questionnaire to assess the impact of entrepreneurial orientation on performance. The study used 56 university spin-offs established in incubators and cyber parks as sample size. The study utilised correlation analysis, to examine the effect of entrepreneurial orientation on performance. The study found out that entrepreneurial orientation has effect on spin-offs' performance. The present study is different from the study of Khadhraoui *et al.,* (2016) in that this study studied entrepreneurial orientation as a multidimensional construct. Khadhraoui *et al.,* (2016) studied entrepreneurial orientation as a unidimensional construct. This study further improved the study methodologically, by carrying out some basic test before the test of hypotheses.

The influence of entrepreneurial orientation on the growth of micro, small and medium enterprises in Kenya was examined by Muthee-Mwangi and Ngugi (2014). The objective of the study was to examine the effect of innovativeness, proactiveness and risk taking on the performance of micro, small and medium enterprises in Kenya. The study utilised questionnaire to collect data from respondents. The study distributed questionnaires to 1420 micro, small and medium enterprises in Kenya. The study found out that innovativeness, proactiveness and risk taking are important predictors of SME performance in Kenya. The study however has some flaws. First, the study failed to report the number of questionnaires used for final analysis. Second, the study failed to examine the reliability and validity of the instrument used to collect data from respondents. Third, the study failed to carry out some basic preliminary tests. Finally, the adjusted coefficient of determination of the study stood at

90%. This may signal the presence of multicollinearity, among the three independent variables of the study. This study improved on some of the above weakness for better results and findings.

Patrono and Mahmood (2015) in their study examined the relationship between entrepreneurial orientation and firm performance. The study utilised primary data to collect data from respondents. The study utilised random sampling to distribute questionnaires to respondents. The study used 390 questionnaires for analysis. Structural equation modelling was used by the study to analyse data. The authors concluded based on the findings of their study that entrepreneurial orientation has no direct effect on firm performance. Methodologically, the study failed to assess the discriminant validity of the constructs used in their study, which serves as a shortcoming to their methodology.

Jalilian, Jamshidinavid and Ghanbary (2013) examined the effect of entrepreneurial orientation on the performance of industrial firms listed in Tehran Stock Exchange. The objective of the study was to examine the relationships between innovativeness, proactiveness, risk taking and firm performance. The study utilised questionnaires to collect data from respondents. The study used 110 questionnaires for analysis. The study utilised correlation analysis to analyse data collected from respondents. The study concluded that innovativeness, proactiveness and risk taking has positive significant effect on firm performance. However, the study utilise only 110 responses for analysis, which might be considered not appropriate for the study. In addition, the study failed to carry out some preliminary test before running structural equation modelling.

Wijesekara, Kumara and Gunawardana (2016) examined the relationship between entrepreneurial orientation and SMEs performance in Sri Lanka. The study utilised primary data with the aid of questionnaires to collect data from respondents. The sample size of the

study comprise 175 respondents representing small and medium scale entrepreneurs in the Southern Province Sri-Lanka. Data collected were analysed using structural equation modelling. The study found out that entrepreneurial orientation has effect on the performance of SMEs in Sri Lanka. The sample size of the study should have been higher to have confidence in their findings.

Perlines and Araque (2015) carried out a study on the influence of entrepreneurial orientation on the performance of hotels in Spain. The objective of the study is to examine the effect of innovativeness, proactiveness ad risk taking on the performance of hotels in Spain. The study used 102 responses for analysis. The study utilised structural equation modelling to analyse data collected from respondents. The authors concluded based on the findings of their study that the trio of innovativeness, proactiveness and risk taking has positive significant effect on the performance of hotels in Spain. The number of responses used for analysis is inadequate for their kind of study.

Davidkov and Yordanova (n.d) examined the effect of entrepreneurial orientation on performance in Bulgarian enterprises. The study utilised interview to collect data from respondents. The authors interviewed 120 Chief Executive Officers of companies operating in Bulgaria. The study utilised regression analysis to analyse data. The study found entrepreneurial orientation to be positively related to firm performance. The sample size of the study was inadequate. It should have been higher.

Shirokova, Bogatyreva and Beliaeva (2015) examined the effect of entrepreneurial orientations on the performance of Russian SMEs. The objective of the paper was to examine the relationship between innovativeness, proactiveness, risk taking and firm performance. The study examined entrepreneurial orientation as a bi-dimensional construct (i.e., innovativeness/proactiveness and risk taking). The researchers opted to study only 104

Russian firms. The study found entrepreneurial orientation to have positive effect on firm performance in Russia. However, the study failed to report how the questionnaires were distributed. Secondly, the study utilised a very small sample. This serves as a limitation to their study.

Orlando and Alexandra (2016) carried out a study linking entrepreneurial orientation to export performance. The study utilised questionnaires to collect data from respondents. 42 valid questionnaires were used for analysis, constituting 25% response rate. The study used linear regression to analyse data collected from respondents. The authors concluded based on the findings of the study that both innovativeness and proactiveness has positive significant effect on export performance of firms in Portugal. The response of the study is grossly inadequate for the study. The study should have used a larger sample to be able to arrive at more statistical acceptable findings.

The relationship between entrepreneurial orientation and SME performance was examined by Vasconcelos, Silveira and Bizarrias (2016) in Brazil. The study utilised primary source of data by means of questionnaires to collect data from respondents. The study used stratified random sampling to distribute questionnaires to 200 managers of retail and service companies in Brazil. The study used structural equation modelling to analyse data. The study found innovativeness, proactiveness and risk taking to be significantly related to SME performance in Brazil. The study should have used a larger sample size. The sample size of the study was inadequate.

Wijetunge and Pushpakumari (n.d) examined the relationship between entrepreneurial orientation and business performance of SMEs in Sri Lanka. The objective of the study was to examine the effect of innovativeness, proactiveness and risk taking on the performance of SMEs in Sri Lanka. The study collected data from respondents by means of questionnaires.

The study collected data from 275 manufacturing SMEs. Respondents of the study constitute owner/managers. The study finally utilised 200 questionnaires for analysis. The study utilised multiple regression analysis to test hypotheses. The study found both innovativeness and proactiveness to be predictors of SME performance in Sri Lanka. Similarly, the study used just 200 cases for analysis. This is can be termed as inadequate.

Kovacs, Zulauf, Ürkmez, Brockhaus and Wagner (2016) linked entrepreneurial orientation to firm performance in Hungary. The study utilised online questionnaires to gather data for the study. The study utilised stratified sampling builds upon the population of all Hungarian companies independently from their size, revenue or any measurable features to distribute questionnaires online to respondents. The study successfully used 58 respondents for the study. The study utilised structural equation modelling to analyse the collected data. The study concluded that entrepreneurial orientation has effect on the firm performance in Hungary.

Matchaba-Hove, Farrington and Sharp (2015) examined the relationship between entrepreneurial orientation and the performance of small firms in South Africa. The objective of the study was to examine the relationship between innovativeness, proactiveness, risk taking and firm performance. The study used questionnaire to gather data from 317 small business enterprises in South Africa by means of convenience sampling. Structural equation modelling was used by the study to test hypotheses. The study found innovativeness, proactiveness and risk taking as predictors of firm performance in South Africa. The study concluded that innovativeness, proactiveness and risk taking have significant effect on performance of small firms.

2.11 Theoretical Framework

A number of theories have been used to explain the performance of business enterprises. However, this study is premised on the Resource Based View of the firm (RBV). The RBV is used to explain the relationship between the independent and the dependent variables of the study. The RBV is used to ascertain that competitive advantage can mediate the relationship between entrepreneurial orientation and performance.

The (RBV) according to Barney, (1986) argues that firms possess resources, a subset of which enable them to achieve competitive advantage, and a subset of those that lead to superior long-term performance (Saqib & Rahid, n.d). Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to enjoy long term performance. The RBV takes the perspective that valuable, tangible firm resources and capabilities provide the key sources of sustainable competitive advantage (Hart, 1995). The RBV articulated that there are relationships among firm resources and competitive advantage (Hart, 1995). Penrose (1959) argued that a firm's resources are important to a firm's competitive advantage. Similarly, Barney (1991) posits that firms that possess resources that are valuable and rare would attain a competitive advantage and enjoy improved performance. The resources that makes a competitive advantage are resources that are valuable and rare ((Saqib & Rahid, n.d).Penrose (1959) focus on the internal resources of the firm as the major determinant of competitive success.

The resource of an organisation can be human resource, which is in this study is considered as the owner/managers of SMEs operating in Abuja. The characteristics of this human resource (i.e., innovativeness, proactiveness and risk taking) leads to competitive advantage. Competitive advantage if sustained will lead to superior performance of a firm, as asserted by the RBV

2.12 Research Model

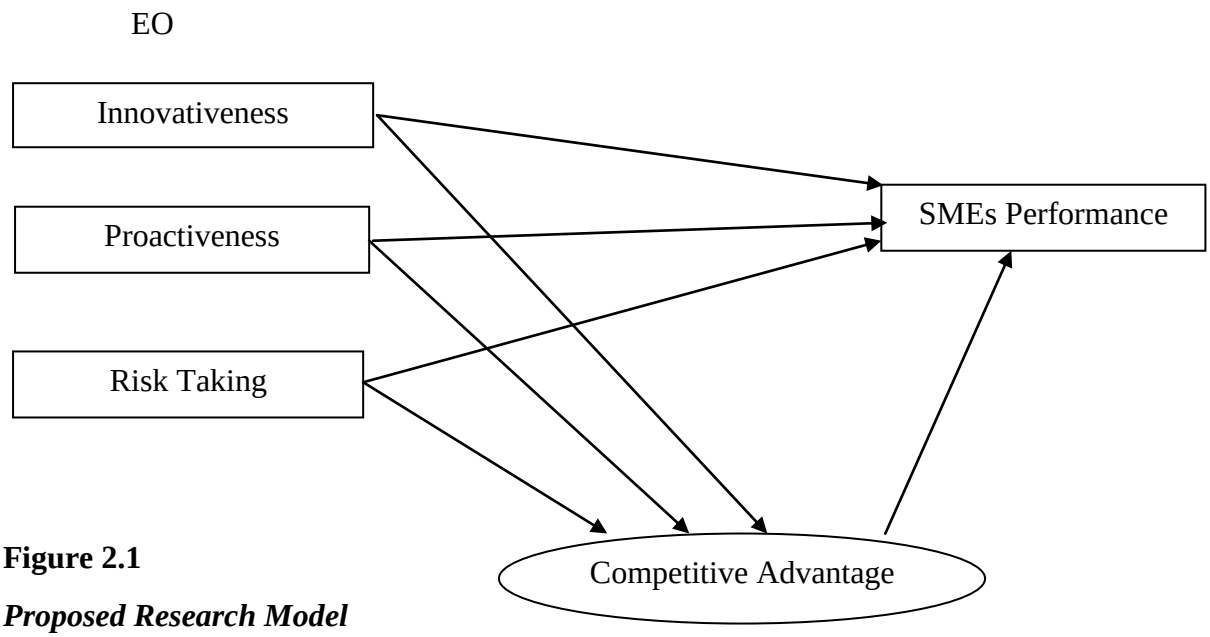


Figure 2.1

Proposed Research Model

Figure 2.1 presents the model of the study. Innovativeness, proactiveness and risk taking are the independent variables of the study, while performance is the dependent variable of the study. Competitive advantage acted as a mediating variable between the independent and the dependent variables of the study. The predictor variables as shown in the model may directly influence the criterion variable. On the other hand, the predictor variables may also indirectly through competitive advantage influence the dependent variable, which is performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on the research design used for the study. The chapter also provided information on the population of the study and how the sample for the study is was drawn using stratified sampling. The study used questionnaire to collect data from respondents.

3.2 Research Design

The study employed cross-sectional research design because it is considered as being accurate for this study. Cross-sectional studies are carried out within a short period of time, as against longitudinal studies that require very long time to be conducted (Kothari & Garg, 2014). Most researchers prefer cross sectional survey to longitudinal survey. This is because cross sectional survey save time and cost effective (Sekaran & Bougie, 2010).

3.3 Population of the Study

The population of this study constitute all SMEs operating in the Federal Capital Territory of Nigeria, Abuja as at 2013. According to SMEDAN and NBS report (2013), there are 2,690 registered SMEs operating in Abuja. The 2,690 SMEs operating in Abuja constitute the population of this study. Mangers/owners of the SMEs were considered as respondents of the study.

3.4 Sample Size of the Study

To determine the sample size of the study, the study utilised the formula of Dillman (2007). The formula is given below.

$$\frac{(Np)\,(p)\,(1-p)}{(Np-1)\,(B/C)^2 + (p)\,(1-p)}$$

Where:

Np = Size of population

p = the population proportion expected to choose among the two response categories

B = sample error

C = confidence level

p is set at 0.5, B will be 0.05 and finally C is set at 1.96, which represent 5% level of significance (Dillman, 2007). Substituting this into the formula we have:

$$\frac{(2{,}690)\,(0.5)\,(1-0.5)}{(2690-1)\,(0.05/1.96)^2 + (0.5)\,(1-0.5}$$

$$\frac{1345 \times 0.5}{2689\,(0.026)^2 + 0.5 \times 0.5}$$

$$\frac{672.5}{2689 \times 0.00067 + 0.25}$$

$$\frac{672.5}{1.802 + 0.25}$$

$$\frac{672.5}{2.052}$$

$$\underline{\underline{328}}$$

Therefore, the minimum sample size of this study was considered to be 328. In order to take care of non responses, it was advised by Israel (2013) that between 10% to 30% should be added to the minimum sample size. Consequently, the sample size will be increased by 30% from 328 to 427. Based on 427 copies of the questionnaire were distributed to respondents of the study.

3.5 Sampling Technique

The study used stratified sampling technique: Stratified sampling technique is suitable where the sample to be drawn does not constitute homogeneous group. Stratified sampling technique is generally applied in order to obtain a representative sample (Kothari & Garg, 2014). The SMEs in Abuja were stratified by the Area Council they operate in. Abuja have six Area Councils namely: Abuja Municipal Area Council (AMAC), Bwari, Gwagwalada, Kuje, Abaji and Kwali. Therefore, the SMEs were stratified into six strata. 427 copies of the questionnaire were distributed across the six area councils in Abuja according to the number of SMEs in each local councils using proportionate stratified sampling techniques and using the formula $(\frac{n}{N} \times Y)$. Where; n = number of SMEs in each area council, and N= the total number of registered SMEs in FCT and Y = total number of questionnaire. Track, (2012). The number of the questionnaire distributed for each of area council are as contained in the table 3.1

Table 3.1: Questionnaire Distributed (427)

Area Council	No. of SMEs (2690)	Questionnaire Distributed
AMAC	1252	199
Gwagwalada	503	80
Bwari	312	50
Kuje	275	44
Abaje	208	33
Kwali	140	22
Total	2,690	427

Source: Abuja Enterprises

3.6 Method of Data Collection

This study employed primary data through questionnaire. The questionnaire was self-administered by research assistants to owner/managers of SMEs operating in Abuja. The questionnaire was divided into sections A and B. Section A collected data on demographic distribution of respondents. Section B provided statements on variables of this study.

3.7 Variable Measurement of the Study

The survey utilised questionnaire to gather data from respondents. Items used to measure innovativeness, proactiveness and risk taking was adapted from the work of Hughes and Morgan (2007). Three items each were used to measure each of the three explanatory variables. Performance was measured using eight items adapted from the work of Spillan and

Parnell (2006). Four items were used to measure competitive advantage developed by Sigalas, Economou and Georgopoulos (2013). The questionnaire is on a five-point Likert scale, ranging from strongly disagree (SD) to strongly agree (SA). The use of Likert scale has been often necessary because it is an interval scale that enables a researcher to analyse questionnaire responses and give room to respondents to choose among multiple options.

3.8 Pilot Study

To ensure face validity, the items were subjected to pilot testing carried out with a group consisting of thirty SMEs operating in FCT, Abuja. Cronbach's Alpha was used to evaluate the questionnaire reliability. The variables were tested independently to check if the questionnaire to be used for the study is reliable. The entire construct on the questionnaire has a composite reliability coefficient greater than 0.7, thus satisfying the minimum benchmark (Hair, Black, Babin and Anderson, 2014). Below is the result of the pilot study.

Table 3.2 Pilot Study Result

Constructs	Composite Reliability	AVE
Performance	0.86	0.51
Innovativeness	0.82	0.61
Proactiveness	0.81	0.69
Risk Taking	0.88	0.72
Competitive Advantage	0.94	0.83

3.9 Technique of Data Analysis

The collected data underwent preliminary analysis. The data were tested for missing values. Missing values were replaced using mean substitution. Outliers were detected and screened, and multicollinearity was also tested using Variance Inflation Factor (VIF). The data collected underwent further processing using Partial Least Square Structural Equation Modelling (PLS-SEM) on SmartPls3. SmartPls3 has two models, the measurement model and the structural model, also known as the outer and inner model respectively. The outer model is used to cycle between path coefficients and path loadings, while the inner model is used to cycle among path coefficients, total effect coefficients and indirect effect coefficients (Garson, 2016).

The data collected underwent some analysis so as to make certain the data show convergent validity, divergent validity and discriminant validity before running multiple regression analysis. The Multiple regression analysis was used to test the hypotheses of the study. The following explains how the study carried out these pre-tests.

3.9.1 Construct Reliability and Validity

It is of importance that the items used in measuring the variables in the study, show reliability and validity. The data was tested for convergent validity and divergent validity. Convergent

validity is often used to measure the correlation of a dimension's multiple indicators (Lee & Chen, 2013). Adjustment was made where necessary, where the data failed to pass any of the tests.

Convergent and divergent validity were tested using Cronbach's Alpha, composite reliability and Average Variance Extracted (AVE) as suggested by Garson (2016). Cronbach's Alpha coefficient should be ≥ 0.7 (Hair *et al,* 2014). Composite validity coefficient should be ≥ 0.7 also (Lee & Chen, 2013), while AVE coefficient should be ≥ 0.5 (Garson, 2016). In the case where any of the construct falls short any of these minimum standard, adjustments were made. Items having the minimum effect on the construct falling short of any of the criteria were deleted. This process continued until all the constructs met the minimum requirements of each of the tests.

3.9.2 Factor Loadings

It is important for indicators to load well in their individual houses. According to Hair *et al* (2014), indicators should not load below 0.5. Items that loaded below 0.5 are to be deleted (Hair *et al,* 2014). Only items loading above 0.5 were retained. Where, item(s) are deleted, it is important to submit the data for a second reliability and validity tests.

The data for a second time underwent convergent validity and divergent validity. This time with the inclusion of discriminant validity. Discriminant validity is often used to assess whether a construct and its indicators is distinct from other constructs and its indicators is the outer model (Lee & Chen, 2013). Discriminant validity was tested using Fornell-larcker Discriminant Validity.

AVE can be used to establish discriminant validity by the Fornell-larcker criterion. For discriminant validity to exist, the square root of the AVE should be higher that its correlation

with other latent variables (Garson, 2016). In the correlations table, where it is observed that the square root of AVE is higher that it correlations with other latent variables, the data will be assumed to show discriminant validity test using Fornell-larcker criterion.

At this point, it is assumed that the data collected have gone through the necessary screening and cleaning so as to engage in further analysis. This lead to the next stage. The next stage was used to test the hypotheses of the study.

3.9.3 Test of Hypotheses

The direct effect of innovative, proactiveness, risk-taking and competitive advantage on SMEs performance was determined using a bootstrapped analysis of 427 cases using 5000 subsamples. It is important to determine the direct impact of economic, socio-cultural and technology environment on performance of SMEs (Hair *et al*, 2014). This helped test the hypotheses of the study. Hypotheses were tested using direct path coefficient using 5% level of significance.

3.9.4 Effect Size

The study further tested for the effect size of the direct relationship between innovativeness, proactiveness and risk-taking on SMEs performance using f^2. According to Cohen in 1988, f^2 values of 0.02, 0.15 and 0.35 represents small, medium and large effects respectively.

3.9.5 Predictive Relevance for Direct and Indirect Relationships (Q^2)

The Stone-Gleisser Q^2value was used to assess construct cross-validated redundancy. The Q^2criterion is an indicator of the predictive relevance of a model (Hair *et al.*, 2014). Q^2 value of the direct impact of innovativeness, proactiveness and risk-taking was determined. In the structural model, a Q^2value larger than zero for a certain reflective endogenous latent variable

indicate the path model's predictive relevance for the construct. While a $Q^2$with a 0 or negative value indicates the model is irrelevant to prediction of the given endogenous factor (Garson, 2016). A Q^2value of .02 represents a small effect size, .15 represents a medium effect size, and .35 represents a high effect size (Cohen, 1988).

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter was used to analyse the collected data from respondents. The descriptive statistics of the respondents were presented in this section. The direct and indirect effects of innovativeness, proactiveness and risk taking on SMEs performance were also reported in this chapter.

4.2 Response Rate

Table 4.1 ***Questionnaire Distribution and Response Rate***

Questionnaire	**Frequency**	**Rate (%)**
Copies of Questionnaire Distributed	427	100
Copies of Questionnaire Returned	375	88
Copies of Questionnaire not returned	52	12
Copies Questionnaire deleted	38	10
Copies of Usable Questionnaire	337	79

There were 427 distributed copies of questionnaire, out of which 375 copies of questionnaire were returned by respondents, and this constitutes 88% of the distributed questionnaire. 52 copies of questionnaire given to respondents were not returned, and they constitute 12 percent of the total number of questionnaire given to respondents. Outliers were detected using Mahalanobis distance. 38 questionnaire were detected as outliers and were deleted from the data set. As a result of the deletion of 38 questionnaire, only 337 questionnaire were deemed to be usable for analysis, and this constitute 79 percent of the distributed questionnaire to respondents. This is considered as being appropriate enough for the study.

4.3 Preliminary Analysis

For the purpose of this study, some preliminary analysis was carried out in order to ensure the collected data are cleaned. The data collected were screened for missing values, outliers were detected and deleted and the data were tested for multicollinearity. Missing values were checked using descriptive statistics and were replaced using mean substitution as advised by Hair *et al.,* (2014). Since this study is concerned with multivariate analysis, outliers were detected using Mahalanobis distance (D^2) (Hair *et al.,* 2014). Cases that fall into outlier category were deleted. Finally, it is important that the independent variables of the study are not highly correlated. Highly correlated independent variables in a study show the presence of multicollinearity (Kothari & Garg, 2014), and this can lead to misleading findings. Hence, this study tested for multicollinearity using Variance Inflation Factor (VIF).

4.3.1 Missing Values

It is important to determine whether there are missing values in a data set, as where there is high case of missing values in a data set, it might disrupt statistics (Tabachnick & Fidell, 2013). For the purpose of this study, the researcher utilised 10 percent as the maximum value allowed for missing values (Hair *et al.,* 2014). This study utilised descriptive statistics to assess the number of missing values in the data set of this study. There are 8,967 data points in the data set, however, only 35 were found to be missing. This means only 0.2% of the data were missing from the data. This is below the 10% set by Hair *et al.,* (2014), therefore missing value was regarded not to be a problem in the present study. The missing values were replaced using mean substitution.

4.3.2 Assessment of Outliers

An outlier is a case with such an extreme value that distorts the findings of a study. (Tabachnick & Fidell, 2013). Detecting outliers for multivariate analysis such as this study, is

best detected by using Mahalanobis distance (D^2). The Mahalanobis distance (D^2) is a method that measures each observation's distance in multidimensional space from the mean centre of all observations, providing a single value for each observation no matter how many variables are considered (Hair *et al.*, 2014). This study utilised Mahalanobis distance (D^2) to detect outliers using 0.005 level of significance (Hair *et al.*, 2014). Thirty-eight cases (i.e., cases 4, 15, 26, 35, 41, 43, 45, 54, 62, 73, 124, 135, 137, 144, 152, 163, 167, 171, 182, 193, 194, 213, 215, 233, 244, 253, 257, 261, 270, 272, 280, 291, 302, 322, 342, 353, 362 & 370) were detected as outliers and were screened out. Thus, only 337 remaining cases were used for further analysis.

4.3.3 Multicollinearity Test

It is important to test for multicollinearity, as it may lead to misleading findings. Multicollinearity exists where two or more independent variables are highly correlated (Hair *et al.* 2014). This study utilised VIF to test for multicollinearity (Kothari & Garg, 2014). According to Kothari and Garg (2014), a VIF figure above ≥ 5shows serious multicollinearity. On Table 4.2, it is clearly seen that the entire VIF coefficient are less than 5. Thus, the independent variables in this study are not highly correlated; hence, it is assumed that the study is free from multicollinearity'

Table 4.2 ***Multicollinearity Statistics: VIF Values (n=337)***

Construct	Tolerance	VIF
Innovativeness	0.840	1.19
Proactiveness	0.763	1.31
Risk Taking	0.740	1.35
Competitive Advantage	0.641	1.56

4.4 Demographic Statistics

This section presents demographic statistics based on the demographic characteristics of respondents. The demographic characteristics include gender distribution of respondents, age distribution, educational distribution and the current position respondents hold in their respective firms. The result is presented in Table 4.3.

Table 4.3: ***Demographic Characteristics of Respondents (n=337)***

Characteristics	**Frequency**	**Percentage**	**Cumulative Percentage**
Gender			
Male	296	87.8	87.8
Female	41	12.2	100
Age	**Frequency**	**Percentage**	**Cumulative Percentage**
18-25	16	4.8	4.8
26-35	85	25.2	30.0
36-45	138	40.9	70.9
Above 45	98	29.1	100
Characteristics	**Frequency**	**Percentage**	**Cumulative Percentage**
Qualification			
O' Level	11	3.3	3.3
National Diploma	38	11.3	14.6
First Degree	152	45.1	59.7
Postgraduate	71	21.1	80.8
Others	65	19.2	100
Current Position	**Frequency**	**Percentage**	**Cumulative Percentage**
Owner	196	58.2	58.2
Manager	141	41.8	100

Table 4.3 presents the result of the demographic characteristics of respondents of this study. As it can be seen on Table 4.3, there are more males than females that constitutes the respondents of this study. 87.8 percent of the total respondents of this study are males, while the remaining 12.2 percent are females. This show that there are more males than females in

the management cadre of respondents of this study. In addition, on Table 4.3, 4.8 percent of the total respondents of the study are between the ages of 18 to 25. 25.2 percent are between the ages of 26-35, while 40.9 percent are between the ages of 36-45. Finally, 29.1 percent of the respondents of this study are above age 45. It can therefore be concluded that most of the respondents of this study are between age 36 and age 45. This is expected, as people between age 36 and age 45 are still in their youthful age, experienced and may have the financial power to set up a business.

On Table 4.3, it can be seen that most of the respondents of this study are first degree holders. Respondents with first degree constitute 45.1 percent of the total respondents of this study. Following behind are respondents with postgraduate degrees. They constitute 21.1 percent of the total respondents of this study. 3.3 percent of respondents are O' Level holders, while 11.3 percent are national diploma holders. Finally, 19.2 percent of respondents of this study have other qualifications not specified on Table 4.3. It can therefore be said that, most of the SMEs operating in Abuja are either owned or managed by persons with first degree certificates. Finally, on Table 4.3, most of the respondents of this study are the owners of their businesses, and they constitute 58.2 percent. On the other hand, 41.8 percent of the respondents are not owners but rather managers. This is expected as only owners or managers are qualified to be regarded as respondents for this study.

4.5 Descriptive Statistics of Variables of the Study

This section provides descriptive statistics of the variables of the study, using mean and standard deviation. The result is presented on Table 4.4.

Table 4.4 ***Descriptive Statistics of Variables***

Variables	Sample	Mean	Std. Deviation
Performance	337	3.65	0.94
Innovation	337	3.32	1.12
Proactiveness	337	3.79	0.84
Risk Taking	337	3.65	0.89
Competitive Advantage	337	3.55	0.92

Table 4.4 presents the descriptive statistics of the variables of the study. They are performance, innovativeness, proactiveness, risk taking and competitive advantage. All the variables of the study were measured on a five-point Likert scale. Table 4.4 showed that performance has a mean response of 3.65 with a standard deviation of 0.94. This means, respondents moderately agreed to statements on performance, thus agreeing that their performance is above average. A mean response of 3.32 on innovativeness having a standard deviation coefficient of 1.12 shows that respondents moderately agreed to statements on innovation. This means respondents believes they constantly innovate in their respective firms. Proactiveness 3.79 having a standard deviation coefficient 0.84. This means respondents also moderately agreed to statements on proactiveness. Similarly, respondents moderately agreed to statements on risk taking, as risk taking has a mean response of 3.65. Risk taking has a standard deviation coefficient of 0.89. Finally, competitive advantage has a mean response of 3.55 with a standard deviation coefficient 0.92. This means respondents of this study moderately agreed to statements on competitive advantage.

4.6 Measurement Model Assessment

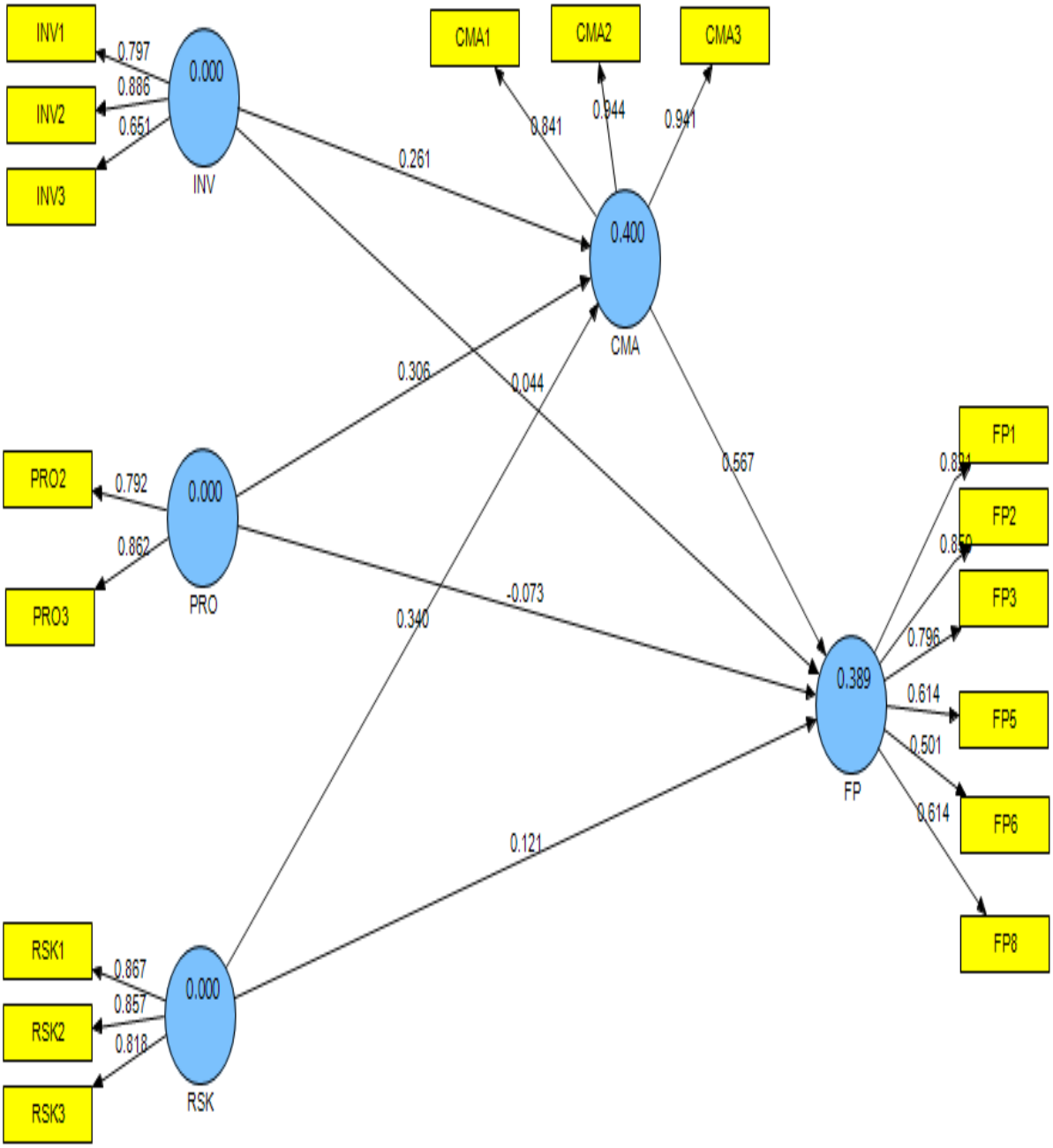


Figure 4.1 ***Measurement Model***

Table 4.5 ***Construct Reliability and Validity (n=337)***

Construct	Items	Loadings	AVE	CR
Performance	FP1	0.82	0.51	0.86
	FP2	0.85		
	FP3	0.80		
	FP5	0.61		
	FP6	0.50		
	FP8	0.61		
Innovativeness	INV1	0.80	0.61	0.82
	INV2	0.89		
	INV3	0.65		
Proactiveness	PRO2	0.79	0.69	0.81
	PRO3	0.86		
Risk Taking	RSK1	0.87	0.72	0.88
	RSK2	0.86		
	RSK3	0.82		
Competitive Advantage	CMA1	0.84	0.83	0.94
	CMA2	0.94		
	CMA3	0.94		

Note: FP4, FP7, PRO1 and CMA4 were deleted due to insufficient loadings. AVE stands for Average Variance Extracted while CR represents Composite Reliability.

According to Hair *et al.,* (2014), loadings should not be below 0.5. On Table 4.5, it can be seen that all items measuring different latent variable loaded above 0.5. This means all the items on Table 4.5 were retained. However, some items (i.e., FP4, FP7, PRO1 and CMA4) were deleted due to insufficient loadings, as the items make the model unfit. Similarly, On Table 4.5, all construct have a composite reliability coefficient greater than 0.7 and all construct met the minimum benchmark for AVE which is 0.5 (Tabachnick & Fidell, 2013). This means the data collected are valid and reliable. The data were next tested for discriminant validity. The result is presented in Table 4.6.

Table 4.6 ***Discriminant Validity using Fornell-larcker criterion (n=337)***

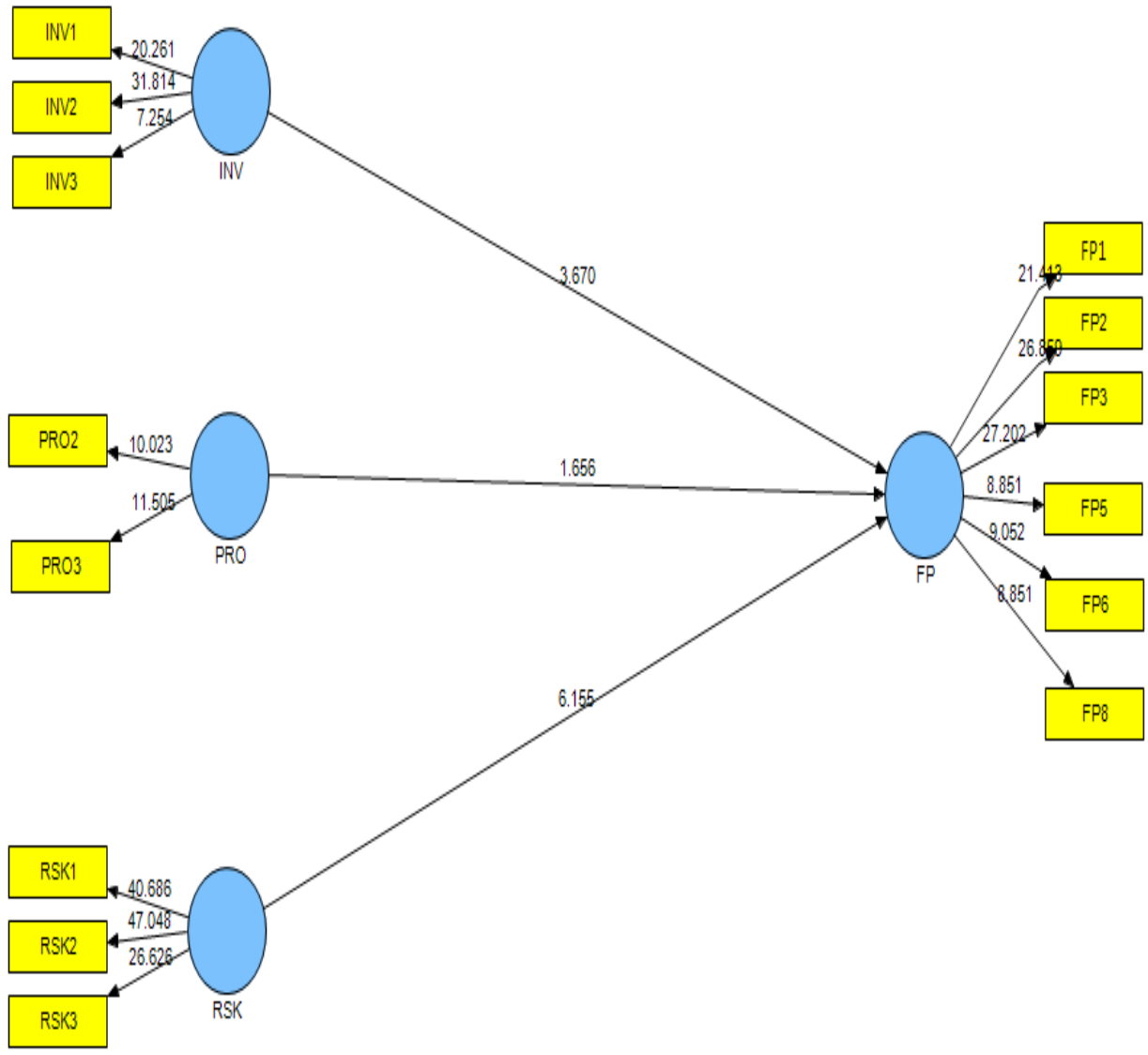
	Variable/construct	1	2	3	4	5
1	Competitive Advantage	**0.91**				
2	Firm Performance	0.61	**0.71**			
3	Innovativeness	0.40	0.28	**0.78**		
4	Proactiveness	0.44	0.21	0.20	**0.83**	
5	Risk Taking	0.47	0.38	0.23	0.24	**0.85**

Note: The bolded diagonal numbers represents the square root of the AVE of each latent construct.

Table 4.6 presents the result of discriminant validity. The number that are bolded represent the square root of AVE of each latent variable. The square root of the AVE for competitive advantage is 0.91. All other correlations with competitive advantage are below 0.91. The square root of the AVE of firm performance is 0.71, all other correlations with firm performance are below 0.71. The square root of the AVE of innovation is 0.78, all other correlations with innovation are below 0.78. Similarly, the square root of the AVE of proactiveness is 0.83. Correlations with proactiveness on Table 4.6 are below 0.83. Finally, the square root of the AVE of risk taking is 0.85, and all other correlations with risk taking are below 0.85. Hence, it can be concluded that the data show discriminant validity using the Fornell-larcker discriminant validity criterion.

4.7 Bootstrapping Analysis for Direct Relationship

It is important to carry out a bootstrapping analysis to determine the direct effect of innovativeness, proactiveness and risk taking on firm performance without controlling for competitive advantage. Bootstrapping was done by using 5000 subsamples using 336 cases. Based on the result, figure 4.2 is presented, which shows the structural model of the direct effects of exogenous variables on the endogenous variable of the study.



Note: FP4, FP7, PRO1 and CMA4 were deleted due to insufficient loadings

Figure 4.2 ***Structural Model of Direct Effects***

4.7.1 Test of Hypotheses for Direct Relationships

Before testing for the mediating effect of competitive advantage on the relationship between innovativeness, proactiveness, risk taking and firm performance, it is important to determine the independent variables and firm performance. This will help test $H_{1,}$ H_2 and $H_{3.}$ Hence, Table 4.7 is presented.

Table 4.7 ***Direct Path Coefficient***

Hypotheses	Relationship	Beta Value	Standard Deviation	T Stat	P Value	Decision
H1	INV->FP	0.20	0.05	3.67***	0.00	Supported
H2	PRO->FP	0.10	0.06	1.66*	0.05	Supported
H3	RSK->FP	0.31	0.05	6.16***	0.00	Supported
R Square	0.19					

*** p< 0.01; **p< 0.05; *p <0.1

Innovativeness has positive relationship with the performance of SMEs, significant at less than 1 percent (β=0.20, p<0.01). Therefore, a unit increase in innovativeness will lead to 20 percent increase in firm performance. Thus, H_1 that states that innovativeness has significant effect on firm performance is supported. Proactiveness also has positive significant effect on firm performance, significant at less than 10 percent (β=0.10, p<0.1). Therefore, a unit increase in proactiveness by entrepreneurs will lead to 10 percent increase in firm performance. Hence, H_2 states that proactiveness has significant effect on firm performance is also supported. Finally, risk taking similarly, has positively and significantly related to firm performance at less than 1 percent (β=0.31, p<0.1). Therefore, a unit increase in risk taking by entrepreneurs will lead to 31 percent increase in firm performance. Thus, this study supports H_3 that states that risk taking has significant effect on firm performance.

R square 19 percent. This means 19 percent variance in firm performance is accounted for by innovativeness, risk taking and proactiveness. Table 4.8 was used to determine the effect size of the direct effect of the independent variables of the study on firm performance. Effect size was assessed through f^2.

4.7.2 Effect Size of Exogenous Variables

Table 4.8 ***Effect Size***

Construct	f^2	Effect Size
Innovation	0.04	Small
Proactiveness	0.01	No Effect
Risk Taking	0.10	Small

Table 4.8 shows the effect size of innovation, proactiveness and risk taking on firm performance. According to Cohen (1988), f^2values of 0.02, 0.15, and 0.35, represents small, medium, and large effects respectively. Both innovation and risk taking have small effect size on firm performance. However, using Cohen's (1988) criteria, proactiveness has no effect on firm performance.

4.7.3 Predictive Relevance of Exogenous Variables

The study utilised the Stone-Geisser's Q^2value to assess the predictive relevance of the exogenous variables on firm performance. The result is presented in Table 4.9.

Table 4.9 ***Predictive Relevance of Exogenous Variables***

Construct	SSO	SSE	Q^2 = 1-SSE/SSO
Firm Performance	2022.000000	1843.165369	0.088444

Note: SSO represents Sum of squared of observed omitted values; SSE represents Sum of Squared Error

Table 4.9 presents the result of cross-validated redundancy of the direct relationships between innovativeness, proactiveness, risk taking and firm performance. Q^2 is greater than zero which shows the predictive relevance of the direct path model. Going by Cohen (1988) standard, the model has small degree of predictive relevance with regard to the endogenous variable, firm performance. The researcher next tested the mediating effect of competitive advantage on the relationships between innovativeness, proactiveness, risk taking and firm performance. Figure 4.3 show the full structural model.

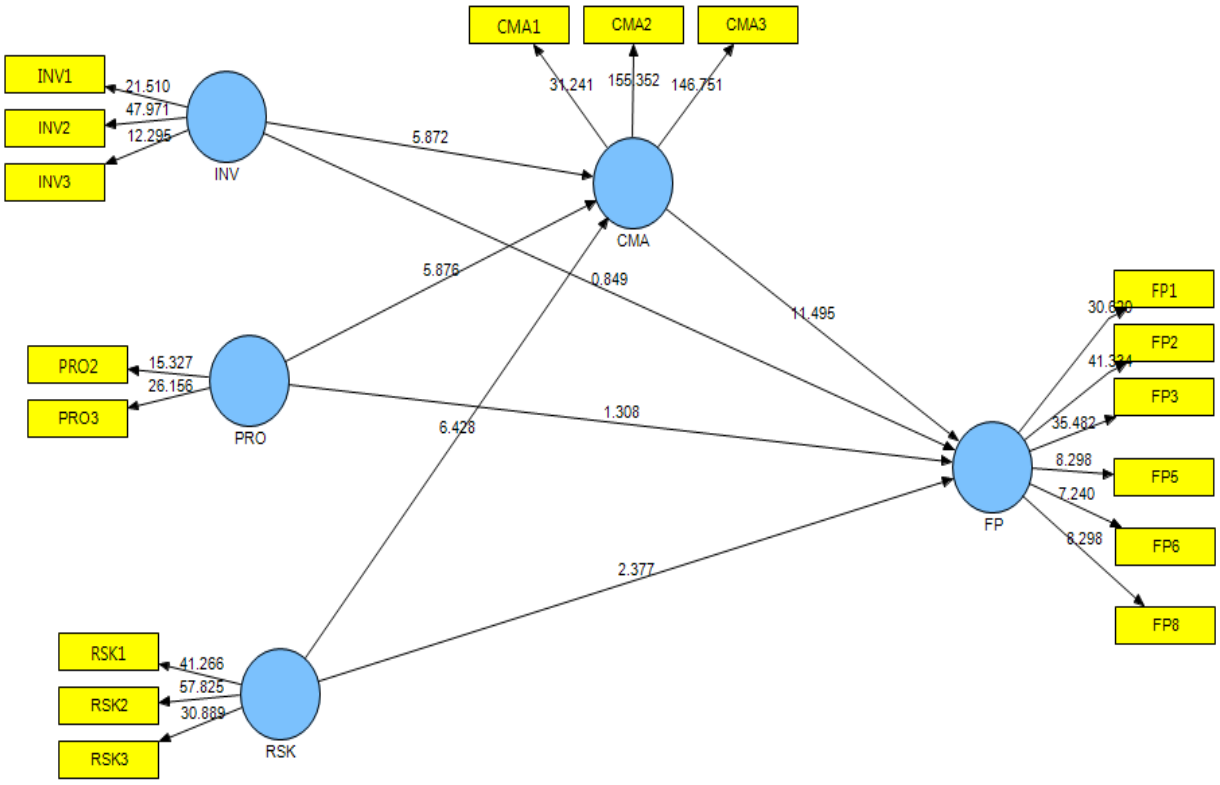


Figure 4.3 ***Full Structural Model***

4.7.4 Test of Hypotheses for Indirect Relationships

This is to test for mediating relationship of competitive advantage between innovativeness, proactiveness risk taking and firm performance. This will help to test for H4, H5 & H6.

Table 4.10 ***Structural Model for Indirect Effects***

Path *a*	**Beta**	**Path *b***	**Beta**	**Indirect Effects (a*b)**
INV -> CMA	0.26	CMA -> PRF	0.57	0.15
PRO-> CMA	0.31	CMA-> PRF	0.57	0.18
RKS-> CMA	0.34	CMA-> PRF	0.57	0.19

Mediation effects can be determined using indirect effects (Hair *et al.,* 2014).T value is calculated as a*b/SE (Hair *et al.*, 2014). T value will help the researcher to determine the mediating effect of competitive advantage on the relationship between innovation, proactiveness, risk taking and firm performance. The result is presented in Table 4.11.

Table 4.11 ***Structural Model: Test of Significance for Mediating Relationships***

Hypotheses	Relationship	Beta	SE	T Statistics	P Value	Decision
H_4	INV->CMA->FP	0.15	0.05	3.00***	0.00	Supported
H_5	PRO->CMA->FP	0.18	0.06	3.00***	0.00	Supported
H_6	RKS->CMA->FP	0.19	0.05	3.80***	0.00	Supported

***p < 0.01; **p < 0.05; *p < 0.10

Table 4.11 was used to test hypotheses four, five and six. On Table 4.11, it can be seen that competitive advantage mediate the relationship between innovativeness and firm performance (β = .015, p<0.01). Consequently, H_4 that states that competitive advantage mediate the relationship between innovativeness and firm performance is therefore empirically supported. Similarly, competitive advantage mediates the relationship between proactiveness and firm performance (β = .018, p<0.01). Therefore, H_5 that states that competitive advantage mediate the relationship between proactiveness and firm performance is also supported. Finally, as it can be seen on Table 4.11, competitive advantage significantly mediates the relationship between risk taking and firm performance (β=0.19, p<0.01). Hence, H_6 that states that competitive advantage mediates the relationship between risk taking and firm performance has been supported empirically by this study.

Table 4.12 ***Summary of the Test of Hypotheses***

Hypotheses	Relationship	Beta	T Statistics	P Value	Decision
H_1	INV -> FP	0.20	3.67***	0.00	Supported
H_2	PRO -> FP	0.10	1.66*	0.05	Supported
H_3	RSK -> FP	0.31	6.16***	0.00	Supported
H_4	INV->CMA->FP	0.15	3.00***	0.00	Supported
H_5	PRO->CMA->FP	0.18	3.00***	0.00	Supported
H_6	RSK->CMA->FP	0.19	3.80***	0.00	Supported

***p < 0.01; **p < 0.05; *p < 0.10

Table 4.12 presents information on the summary of the test of hypotheses. All six formulated hypotheses were supported. On Table 4.12, innovativeness has direct relationship with firm performance (β = 0.20, p<0.01). Competitive advantage mediates the relationship between innovativeness and firm performance (β= 0.15, p<0.01). Similarly, proactiveness has direct significant effect on firm performance (β= 0.10, p<0.05). Similarly, competitive advantage mediates the relationship between proactiveness and firm performance (β= 0.18, p<0.01). Risk taking also have direct significant relationship with firm performance (β= 0.31, p<0.01). Competitive advantage also empirically mediates the relationship between risk and firm performance (β= 0.19, p<0.01). Thus, H_1 to H_6 were all supported.

Table 4.13 ***R-Squared for Mediating Relationships***

Construct	R-Squared
Competitive Advantage	0.40
Firm Performance	0.39

As displayed on Table 4.13, innovativeness, proactiveness and risk taking accounts for 40 percent variation in competitive advantage. On the other hand, competitive advantage accounts for 39 percent variation in firm performance. Both R squared is considered appropriate for this type of study.

Table 4.14 ***Effect Size of Exogenous and Endogenous Variables for Mediating Relationships***

Construct	f^2(FP)	Effect Size	f^2(CMA)	Effect Size
Innovativeness	NA	None	0.11	None
Proactiveness	0.01	None	0.14	Large
Risk taking	0.01	None	0.17	None
Competitive advantage	0.32	Small	NA	NA

Table 4.14 show the effect size of each of the exogenous variables in the study. Innovativeness has no effect size on firm performance when controlling for competitive advantage. This clearly shows that competitive advantage mediates the relationship between innovativeness and firm performance. Similarly, proactiveness and risk taking do not have any effect on firm performance when controlling for competitive advantage using Cohen's (1988) criterion. This clearly depicting that competitive advantage mediates the relationship between proactiveness and firm performance and between risk taking and firm performance. On the other hand, competitive advantage has an f^2 coefficient of 0.32. Using Cohen (1988) criterion, competitive advantage has a medium effect size on firm performance.

4.7.5 Predictive Relevance of Exogenous and Endogenous Variables (Q^2)

Q^2 was used to predict the relevance of the inner model using construct cross-validated redundancy. Tables 4.19 present the results of construct cross-validated redundancy.

Table 4.15 ***Construct Cross-validated Redundancy***

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
Firm Performance	2022.000000	1663.623988	0.18
Competitive Advantage	1011.000000	683.402959	0.32

From Table 4.15, it is seen that the Q^2 values of both firm performance and competitive advantage is above 0. Firm performance has a Q^2 value of 0.18, which means competitive

advantage, innovativeness, proactiveness and risk taking have medium degree of predictive relevance with regard to firm performance. On the other hand, competitive advantage has a Q^2 value of 0.32, this means innovativeness, proactiveness and risk taking have medium degree of predictive relevance with regard to innovation.

4.7.6 Magnitude of Mediating Effect

It is of importance to assess the magnitude of the mediating effect of competitive advantage on the relationships between innovativeness, proactiveness, risk taking and firm performance. Variance Accounted For (VAF) was used to assess the magnitude of the mediating effect innovation on the relationships between the exogenous and endogenous variables of this study (Hair *et al.,* 2014). A VAF value of less than 20 percent represent no mediation, a VAF value between 20 percent to 80 percent represent partial mediation, while a VAF value above 80 percent represent full mediation (Hair *et al.,* 2014). VAF is calculated by dividing indirect effects by total effects (Hair *et al.,* 2014). Table 4.16 presents the result of the test of magnitude of mediating effect.

Table 4.16 ***Magnitude of Mediating Effect***

Relationship	Indirect	Direct	Total	VAF	Mediation
INV->CMA->FP	0.15	0.20	0.35	43%	Partial
PRO->CMA->FP	0.18	0.10	0.28	64%	Partial
RSK->CMA->FP	0.19	0.31	0.50	38%	Partial

From Table 4.16, it can be seen that competitive advantage partially mediates the relationship between innovation and firm performance. Similarly, competitive advantage partially mediates the relationship between proactiveness and firm performance. Finally, risk taking is also partially mediated by competitive advantage, on the relationship between risk taking and competitive advantage.

4.8 Discussion of Findings

The prior expectation of the researcher before carrying out data analysis is for innovativeness, proactiveness and risk taking to have a positive significant effect on firm performance. Likewise, it was expected that competitive advantage mediates the relationships between innovativeness, proactiveness, risk taking and firm performance. After, the analysis of data, all priori expectation were exactly as predicted. Innovativeness has direct significant effect on SMEs performance, just as propounded by the resource based view of the firm. Based on the descriptive statistics of innovativeness, firms agreed to constantly engage in innovative behaviours, and thus may be the reason why innovativeness has significant effect on firm performance. This finding is consistent with the findings of Olughor (2016), Owoseni and Adeyeye (2012) and Swierczek and Ha (2003).

Similarly, proactiveness has direct significant effect on the performance of SMEs in Nigeria. Proactiveness is the process of anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of operations. Firms that form the respondents of this agreed to be always proactive, i.e., always anticipating and always seeking new ways to satisfy customer needs. Since the resource based view of the firm posits that proactive firms are likely to enjoy higher performance, it is therefore in line for proactiveness to be significantly related to performance, as firms that constitute respondents of this study agreed to be always proactive. This finding is consistent with the findings of Arshad *et al.*, (2014), Jalali (2012) and Lu and Zhang, (2016).

Risk taking also has significant effect on firm performance. Risk taking is simply the willingness to commit resources to undergo activities and projects which the result is uncertain. Similarly, to other variables of this study, firms that form the respondents of this study agreed to always take some risks, and the propositions of the resource based view is

that, firms that take risks perform better than those that do not. Therefore, since the firms that form respondents of this study agree that they take risks, it is therefore expected that risk taking should significantly influence firm performance. This is consistent with the findings of Haider *et al.,* (2017), Arshad *et al.,* (2014) and Lu and Zhang, (2016).

Competitive advantage based on the findings of this study mediates all the relationships in this study. That is, competitive advantage mediates the relationship between innovativeness and firm performance. In addition, competition advantage mediates the relationship between proactiveness and firm performance, and finally competitive advantage mediates the relationship between risk taking and firm performance. Based on the apriori expectation and the postulations of the resource based view of the firm, it is expected that competitive advantage mediates all the relationships. A firm that is innovative, proactive and take risk is expected to enjoy competitive advantage, and where a firm enjoys competitive advantage, such firm should enjoy high performance. This study therefore, confirms the resource based view of the firm.

4.9 Implications of the Study

This study examined the mediating effect of competitive advantage on the relationship between innovativeness, proactiveness, risk taking and firm performance. Thus, making it imperative to discuss both managerial and theoretical implications of the study.

4.10 Managerial Implication

Innovativeness, proactiveness and risk taking have been examined extensively in the literature. However, there is need for more of this kind of study in developing economies like that of Nigeria. The major managerial implication for firms operating in Abuja is that owner/managers have the better understanding that they need to be innovative, proactive and most especially take risks for them to enjoy higher performance. Risk taking has to be given

very important attention as it has been discovered by this study to be the most important direct predictor of firm performance.

4.11 Theoretical Implication

The major theoretical contribution of this study is the inclusion of competitive advantage as an intervening variable on the relationships between entrepreneurial orientation and firm performance using innovativeness, proactiveness and risk taking as proxies for performance. Most of the previous related studies have examined the direct relationship between innovativeness, proactiveness, risk taking and firm performance. However, few studies have examined the mediating effect of competitive advantage on the relationship between entrepreneurial orientation and firm performance. But these studies studied entrepreneurial orientation as a latent construct, making it impossible to know the mediating effect of competitive advantage on proxies of entrepreneurial orientation individually. Before this study, little is known on the mediating effect of competitive advantage on the relationships between innovativeness, proactiveness, risk taking and firm performance. This study has therefore established that the relationships between innovativeness, proactiveness, risk taking and performance is mediated by competitive advantage.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary

Small and medium enterprise in Nigeria are not performing up to required level when compared to their counterparts in other parts of the world and with other developing countries of the world . Small and medium enterprise in Nigeria should be enriching the country's GDP the more and also providing more employments in the country. To solve this backdrop, six hypotheses were formulated for testing in alternate form. The population of the study comprises all SMEs in operating in Abuja. The study is cross-sectional in nature. Primary source of data collected through questionnaires were used for the study. Questionnaires were distributed using proportionate stratified random sampling. 337 questionnaires were used for analysis. In testing the hypotheses, the study used structural equation modelling processed using SmartPLS2.

Result of the analysis show that innovativeness, proactiveness and risk taking has significant effect on SMEs performance. On the other hand, competitive advantage mediates the relationship between innovativeness, proactiveness, risk taking and SMEs performance.

5.2 Conclusion

The study therefore concludes that innovativeness, proactiveness and risk taking are predictors of firm performance. However, risk taking is the most important predictor of firm performance. The study also concludes that competitive advantage mediates the relationship between innovativeness and firm performance. Competitive advantage also mediates the relationship between proactiveness and firm performance. In addition, competitive advantage also mediates the relationship between risk taking and firm performance. However, the study concludes that competitive advantage partially mediates the relationships between innovativeness, proactiveness, risk taking and firm performance. Therefore, for firms to enjoy

high performance, emphasis should be laid on innovativeness, proactiveness and most especially risk taking.

5.3 Recommendations

For firms to enjoy high performance, the following recommendations are made:

1. Managers of firms especially SMEs should ensure they actively introduce improvements and innovations in their business processes. Simple modifications could be made to their products if they are into manufacturing, or modifications could also be made on business processes in the case of service industries. In addition, SMEs should always encourage their employees to be creative and managers should also encourage creative ideas. Creativity could lead to successful innovations. Being creative means for business to seek out new ways to carry out operations. Tailored to the needs of customers, SMEs should constantly seek new ways to do things.
2. Managers of SMEs should ensure they are always proactive in every of their operations, by always trying to take initiatives in every situation. By taking initiatives, firms would have the opportunity to act before competitors. Managers should ensure their various firms are proactive by assessing and initiating products or new processes independently. Firms should also be proactive by identifying new opportunities before their competitors. There are always new opportunities for businesses, for firms to enjoy high performance, they could do well by making sure they are always ahead of their competitors by identifying new opportunities. In addition Managers should ensure that they initiate actions to which other organizations respond. Firms that want to enjoy high performance should always be proactive and not reactive. That is, firms should always take leading actions and allow their competitors to respond to their actions. Managers should not wait to always respond to the actions of their

competitors, but always taking initiatives, that will always step them ahead of their competitors.

3. Managers should ensure their firm is always considered as being risk takers. Risk has been seen to be the most important predictor of SMEs performance. Therefore, firms should not shy away from taking risks. However, Managers should ensure that their employees are encouraged to take calculated risks coupled with new ideas. Risks should be taken, but it should be calculated. Calculated in the sense that, there should be some possibility of returns. In addition, managers should emphasize both exploration and experimentation of opportunities. New opportunities should be explored and experimented on. However, the opportunity should be well calculated before exploration and experimentation.
4. Finally, managers should ensure they fully exploit opportunities in the market by being innovative, proactive and by taking calculated risks. In addition, competitive threats should be fully understood, digested and neutralised, by always taking initiatives before their competitors.

5.4 Suggestions for Further Study

Future studies could build on the limitations of this study by conducting a longitudinal study by collecting data more than once. This will help in complementing this study, so that generalisations of findings could be made. Further, the scope of this study could be built upon by covering a larger geographical area, so that generalisations could be reached. Finally, future studies may include aggressiveness and into the model of this study as independent variables, determing their effect on firm performance, and also determining the mediating effect of competitive advantage on the relationships.

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Appendix 1

Ekpenye Peter Attah
MSc Student (P15ADBA8005),
Department of Business Administration,
Ahmadu Bello University, Zaria.

Dear Respondent,

Questionnaire Design

The above-named researcher is currently carrying out a research titled '**Mediating Effect of Competitive Advantage on the Relationship between entrepreneurial orientation and firm performance in Nigeria**. I humbly request that you partake in his research by filling the questionnaire below by ticking the most suitable option. Please be informed that all information obtained through this questionnaire is to solve practical problems and to expand the frontier of knowledge and thus, all responses would be kept confidential.

Section A: Biodata

1. Gender

a. Male ( ) b. Female ( )

2. Qualification

a. O' Level ( ) b. ND ( ) c. HND/B.Sc./BA ( ) d. Post-graduate ( ) e. Others ( )

3. Age

a. 18-25 ( ) b. 26-35 ( ) c. 36-45 ( ) d. above 45 ( )

4. Current Position

a. Owner ( ) b. Managers ( )

Section B: Research Question

This section provides you with statements on innovativeness, proactiveness, risk taking, competitive advantage and firm performance.

Kindly tick as appropriate. Key to Options:

1 - Strongly Disagree

2 - Disagree

3 - Undecided

4 - Agree

5 - Strongly Agree

S/N	INNOVATIVENESS	1	2	3	4	5
1	We actively introduce improvements and innovations in our business					
2	Our business is creative in the manner it carries out operations					
3	Our business seeks out new ways to do things					

S/N	PROACTIVENESS	1	2	3	4	5
1	We always try to take the initiative in every situation					
2	We do well at identifying opportunities					
3	We initiate actions to which other organizations respond					

S/N	RISK TAKING	1	2	3	4	5
1	We are considered as “risk takers” in our business					
2	People in our business are encouraged to take calculated risks with new ideas					
3	Our business emphasizes both exploration and experimentation for opportunities					

S/N	COMPETITVE ADVANTAGE	1	2	3	4	5
1	We take exploitation of all market opportunities					
2	We take full exploitation of all market opportunities					
3	We immediately neutralize all competitive threats					
4	We fully neutralise all competitive threats					

S/N	PERFORMANCE	1	2	3	4	5
1	Profit goals have been achieved					
2	Sales goals have been achieved					
3	Return on investment goals have been achieved					
4	Our product(s) have a higher quality than those of our competitors					
5	We have a higher customer retention rate than our competitors.					
6	We have a better reputation among major customer segments than our competitors					
7	We have a lower employee turnover rate than that of our competitors					
8	We have been more effective in new product development than our Competitors					

Thanks for your timely filling,

The Researcher.

APPENDIX "II"

3.5.1 Questionnaire Distributed (427)

Area Council	No. of SMEs (2690)	Questionnaire Distributed
AMAC	1252	199
Kwakwalada	503	80
Bwari	312	50
Kuje	275	44
Abaje	208	33
Kwali	140	22

Source: Abuja Enterprises

Table 4.1 ***Questionnaire Distribution and Response Rate***

Questionnaire	Frequency	Rate (%)
Distributed Questionnaires	427	100
Returned Questionnaires	375	88
Unreturned Questionnaires	52	12
Deleted Questionnaires	38	10
Usable Questionnaire	337	79

Table 4.2 ***Multicollinearity Statistics: VIF Values (n=337)***

Construct	VIF
Innovation	1.19
Proactiveness	1.31
Risk Taking	1.35
Competitive Advantage	1.56

APPENDIX III

Table 4.3: ***Demographic Characteristics of Respondents (n=337)***

Characteristics	**Frequency**	**Percentage**	**Cumulative Percentage**
Gender			
Male	296	87.8	87.8
Female	41	12.2	100
Age	**Frequency**	**Percentage**	**Cumulative Percentage**
18-25	16	4.8	4.8
26-35	85	25.2	30.0
36-45	138	40.9	70.9
Above 45	98	29.1	100

Table 4.3 (Continued)

Characteristics	**Frequency**	**Percentage**	**Cumulative Percentage**
Qualification			
O' Level	11	3.3	3.3
National Diploma	38	11.3	14.6
First Degree	152	45.1	59.7
Postgraduate	71	21.1	80.8
Others	65	19.2	100
Current Position	**Frequency**	**Percentage**	**Cumulative Percentage**
Owner	196	58.2	58.2
Manager	141	41.8	100

APPENDIX IV

Table 4.4 ***Descriptive Statistics of Variables***

Variables	**Sample**	**Mean**	**Std. Deviation**
Performance	337	3.65	0.94
Innovation	337	3.32	1.12
Proactiveness	337	3.79	0.84
Risk Taking	337	3.65	0.89
Competitive Advantage	337	3.55	0.92

APPENDIX "IV"

4.6 Assessing Model Fit

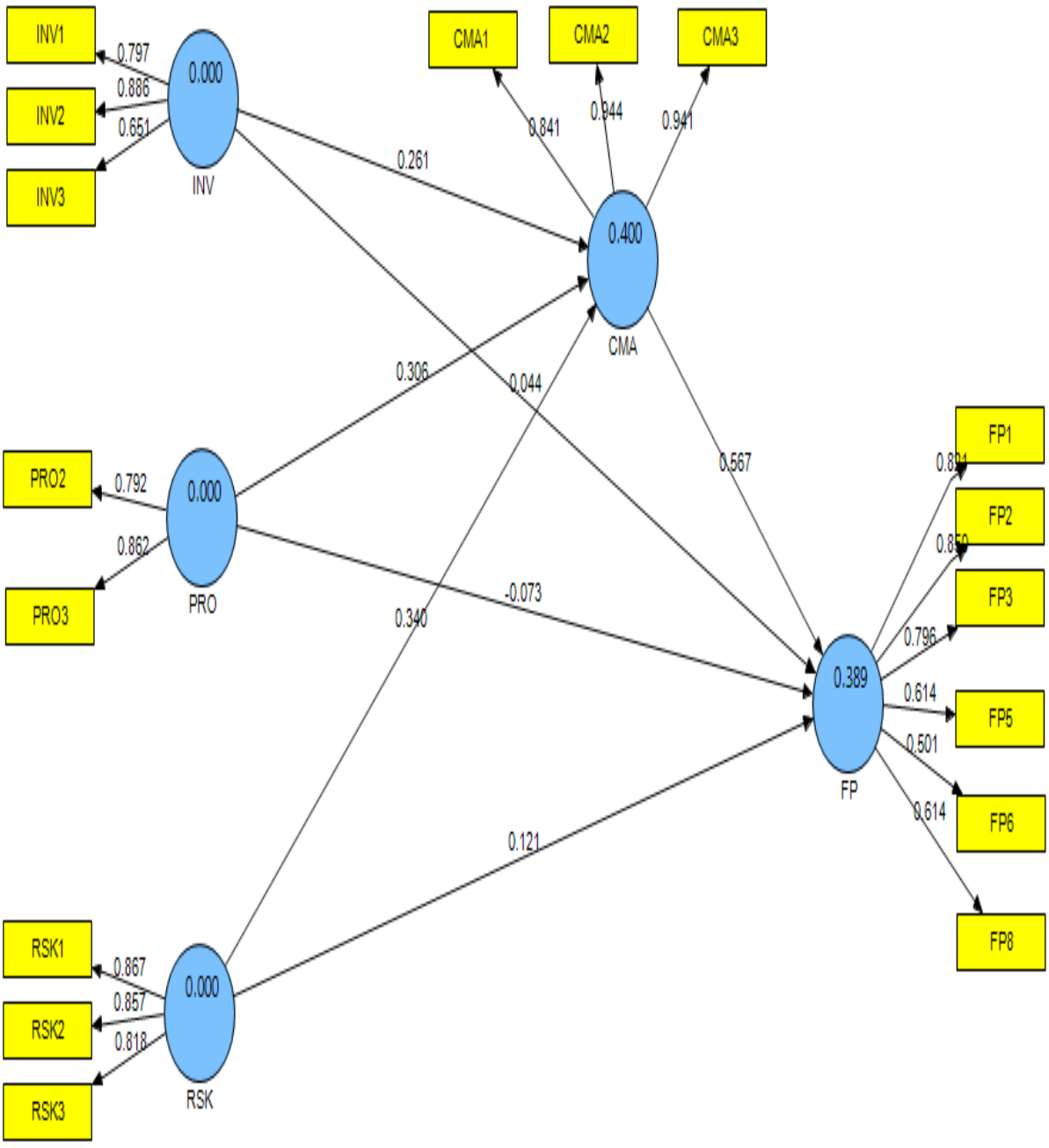


Figure 4.1 ***Measurement model***

APPENDIX "VI"

Table 4.5 ***Construct Reliability and Validity (n=337)***

Construct	Items	Loadings	AVE	CR
Performance	FP1	0.82	0.51	0.86
	FP2	0.85		
	FP3	0.80		
	FP5	0.61		
	FP6	0.50		
	FP8	0.61		
Innovation	INV1	0.80	0.61	0.82
	INV2	0.89		
	INV3	0.65		
Proactiveness	PRO2	0.79	0.69	0.81
	PRO3	0.86		
Risk Taking	RSK1	0.87	0.72	0.88
	RSK2	0.86		
	RSK3	0.82		
Competitive Advantage	CMA1	0.84	0.83	0.94
	CMA2	0.94		
	CMA3	0.94		

Note: FP4, FP7, PRO1 and CMA4 were deleted due to insufficient loadings. AVE stands for Average Variance Extracted while CR represents Composite Reliability.

APPENDIX "VII"

Table 4.6 ***Discriminant Validity using Fornell-larcker criterion (n=337)***

		1	2	3	4	5
1	Competitive Advantage	**0.91**				
2	Firm Performance	0.61	**0.71**			
3	Innovation	0.40	0.28	**0.78**		
4	Proactiveness	0.44	0.21	0.20	**0.83**	
5	Risk Taking	0.47	0.38	0.23	0.24	**0.85**

Note: The bolded diagonal numbers represents the square root of the AVE of each latent construct.

APPENDIX "VIII"

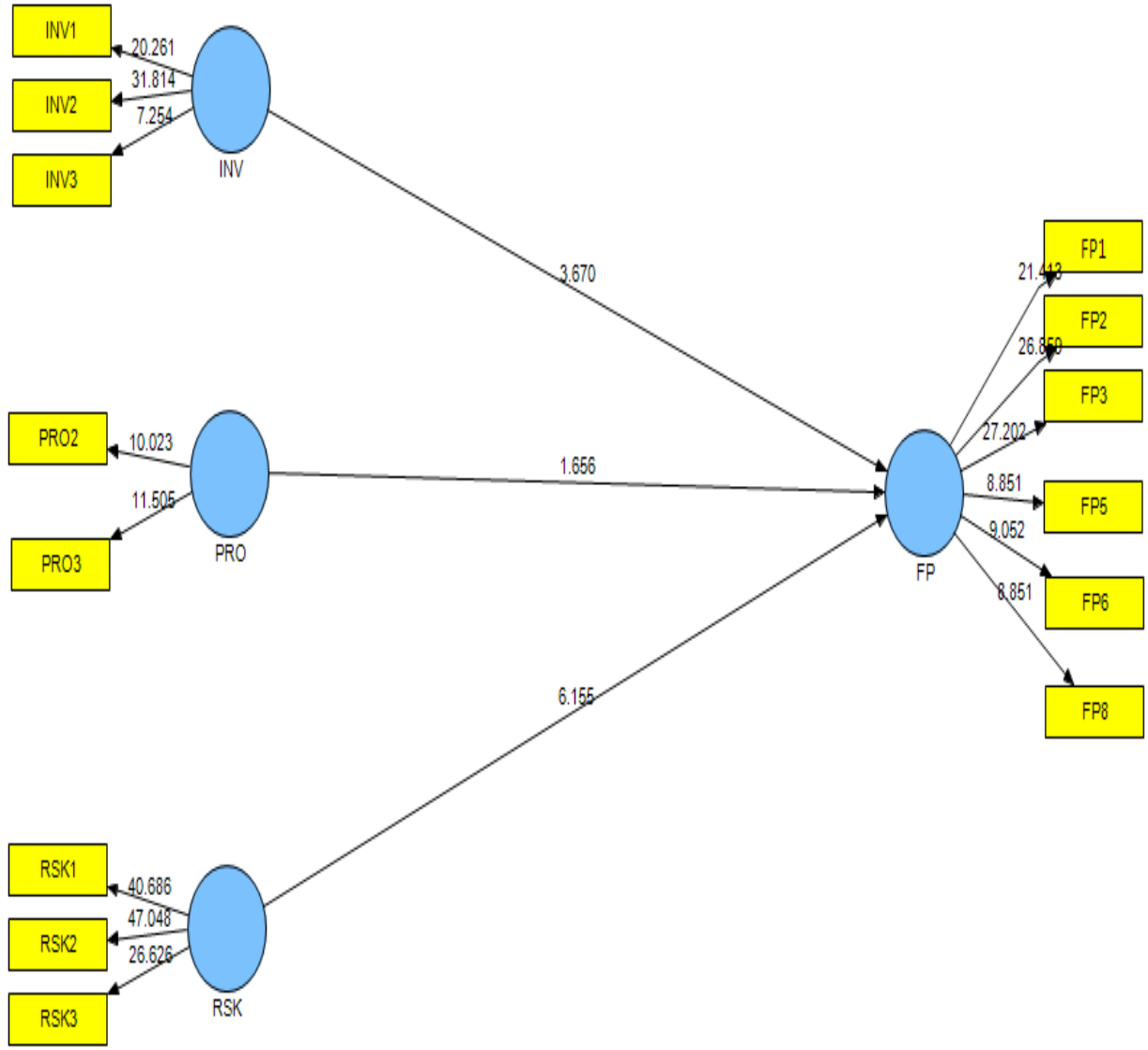


Figure 4.2 ***Structural Model of Direct Effects***

APPENDIX "IX"

Table 4.7 ***Direct Path Coefficient***

Hypotheses	Relationship	Beta Value	Standard Deviation	T Stat	P Value	Decision
H1	INV->FP	0.20	0.05	3.67***	0.00	Supported
H2	PRO->FP	0.10	0.06	1.66*	0.05	Supported
H3	RSK->FP	0.31	0.05	6.16***	0.00	Supported
R Square	0.19					

*** p< 0.01; **p< 0.05; *p <0.1

Table 4.8 ***Effect Size***

Construct	f^2	Effect Size
Innovation	0.04	Small
Proactiveness	0.01	No Effect
Risk Taking	0.10	Small

Table 4.9 ***Predictive Relevance of Exogenous Variables***

Construct	SSO	SSE	Q^2 = 1-SSE/SSO
Firm Performance	2022.000000	1843.165369	0.088444

Note: SSO represents Sum of squared of observed omitted values; SSE represents Sum of Squared Error

APPENDIX "X"

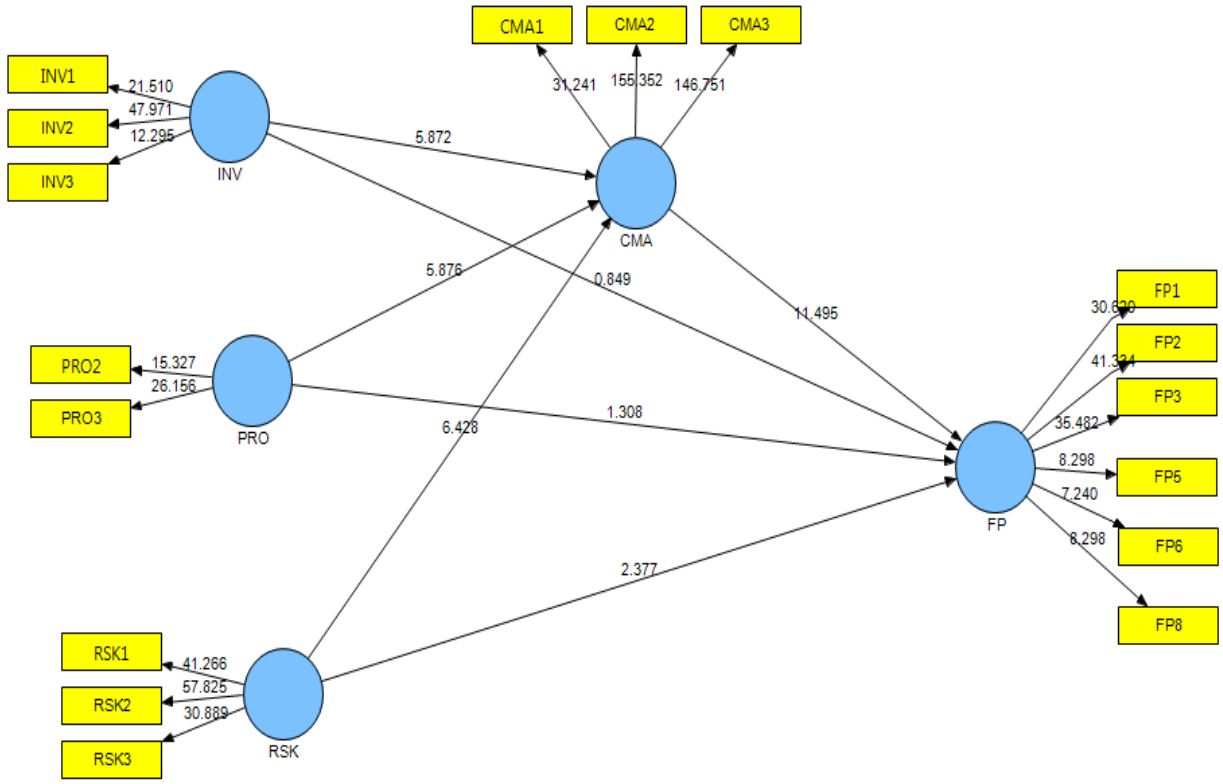


Figure 4.3 ***Full Structural Model***

APPENDIX "XI"

Table 4.10 ***Structural Model for Indirect Effects***

Path *a*	**Beta**	**Path *b***	**Beta**	**Indirect Effects (a*b)**
INV -> CMA	0.26	CMA -> PRF	0.57	0.15
PRO-> CMA	0.31	CMA-> PRF	0.57	0.18
RKS-> CMA	0.34	CMA-> PRF	0.57	0.19

Table 4.11 ***Structural Model: Test of Significance for Mediating Relationships***

Hypotheses	**Relationship**	**Beta**	**SE**	**T Statistics**	**P Value**	**Decision**
H_4	INV->CMA->FP	0.15	0.05	3.00***	0.00	Supported
H_5	PRO->CMA->FP	0.18	0.06	3.00***	0.00	Supported
H_6	RKS->CMA->FP	0.19	0.05	3.80***	0.00	Supported

***p < 0.01; **p < 0.05; *p < 0.10

Table 4.12 ***Summary of the Test of Hypotheses***

Hypotheses	**Relationship**	**Beta**	**T Statistics**	**P Value**	**Decision**
H_1	INV -> FP	0.20	3.67***	0.00	Supported
H_2	PRO -> FP	0.10	1.66*	0.05	Supported
H_3	RSK -> FP	0.31	6.16***	0.00	Supported
H_4	INV->CMA->FP	0.15	3.00***	0.00	Supported
H_5	PRO->CMA->FP	0.18	3.00***	0.00	Supported
H_6	RSK->CMA->FP	0.19	3.80***	0.00	Supported

***p < 0.01; **p < 0.05; *p < 0.10

APPENDIX "XII"

Table 4.13 ***R-Squared for Mediating Relationships***

Construct	R-Squared
Competitive Advantage	0.40
Firm Performance	0.39

Table 4.14 ***Effect Size of Exogenous and Endogenous Variables for Mediating Relationships***

Construct	f^2(FP)	Effect Size	f^2(CMA)	Effect Size
Innovativeness	NA	None	0.11	None
Proactiveness	0.01	None	0.14	Large
Risk taking	0.01	NA	0.17	None
Competitive advantage	0.32	Small	NA	NA

Table 4.15 ***Construct Cross-validated Redundancy***

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
Firm Performance	2022.000000	1663.623988	0.18
Competitive Advantage	1011.000000	683.402959	0.32

Table 4.16 ***Magnitude of Mediating Effect***

Relationship	Indirect	Direct	Total	VAF	Mediation
INV->CMA->FP	0.15	0.20	0.35	43%	Partial
PRO->CMA->FP	0.18	0.10	0.28	64%	Partial
RSK->CMA->FP	0.19	0.31	0.50	38%	Partial