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Entrepreneurial Orientation and Performance of Small and Medium Enterprises: A Systematic Literature Review

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Abstract: *In recent years, entrepreneurship research has focused a lot of attention on entrepreneurial orientation (EO). Many researchers assume that EO has positive effects on enterprise performance. However, the significance and influence of each dimension are still up for debate. The review process includes dimensions of entrepreneurial orientation (EO) investigated in the SMEs context, entrepreneurial orientation from theoretical perspective and the extent of solutions that has been found regarding the effect of entrepreneurial orientation on SMEs performance. Contradictory findings are found in African economies. In contrast to Asia and Europe, where the results tend to be consistent across all economies, the results in Africa seemed to vary among all economies. Similar to other African nations where numerous researches have produced conflicting results, Nigeria's geopolitical zones have produced mixed conflicting results. In the meantime, there are still some gaps that need to be resolved: the majority of empirical data comes from developed economies or weighty emerging markets, leaving gaps in particular regional contexts like sub-Saharan Africa; researchers employ different performance metrics (financial vs. non-financial), making universal comparisons challenging; and cross-sectional designs predominate in the literature, making it challenging to demonstrate long-term causality versus short-term correlation.*

Keywords: entrepreneurial orientation, systematic review, enterprise performance, contradictory findings.

INTRODUCTION

Entrepreneurial orientation (EO) has been investigated from both theoretical and empirical perspectives. Academic researchers and enthusiastic entrepreneurs are interested in investigating the crucial challenges of assessing business performance via the strategic influence of EO in light of the current economic situation (Ros and Noor, 2026; Payangan, Alam and Pono, 2023). Researchers view EO is a process that depends on both the type of entrepreneurial activity involved in a business and strategic decision-making (Omisakin, 2024).

Few studies have claimed that EO is an autonomous action that allows leaders to demonstrate entrepreneurial dedication and support for the generation of new ideas while also consistently pursuing supplied strategic direction to capture new markets and establish market leadership (Gorostiaga, Aliri, Balluerka and Lameirinhas, 2023). However, studies have shown that proactiveness, risk-taking, innovativeness, autonomy, and competitive aggressiveness are key features of EO (Sharippudin, Mahadi and Zakaria, 2024).

Thus, the agreement on EO shows that multiple dimensions can have a major impact on business performance. Nonetheless, all dimensions of EO remain pertinent, and entrepreneurial researchers frequently investigate these areas. For example, Hernández-Perlines, Millán-Atenciano and Ribeiro-Navarrete, (2020) stated how product and process are the most important components of any firm's innovativeness since they allow them to obtain a competitive edge. In contrast, Espinoza-Samaniego and Guevara, (2025) stated that decision-making and risk-taking activities are critical, necessitating action plans to sustain enterprises and survive in competitive market conditions.

From a strategic standpoint, EO may be a new tendency to evaluate the success of innovative endeavors (Pusparini, Indirawati, Adi and Setiawan, (2024). Additionally, it is crucial for small and medium-sized businesses (SMEs) to continuously absorb some aspects of entrepreneurial orientation in order to foster an entrepreneurial environment and enhance performance. This will enable them to concentrate and take advantage of opportunities to remain competitive and innovative (Ibrahim, Salisu and Aliyu, 2023).

It has been shown in studies, entrepreneurs collaborate and act with their employees to create a business environment that can help them capture current markets by generating new business ideas (Omisakin, 2024); increase market share by gaining a competitive advantage thru innovation; and obtain customers and employees to retain existing businesses (Septian, Dirgantari and Masharyono, 2023).

Few authors have suggested that EO is a strategic approach that allows entrepreneurs to be creative and innovative (Chen, Logaiswari, Umar and Wiyata, 2024). Studies have shown that important internal elements such as resources and capabilities are essential for improving entrepreneurial businesses since they facilitate entrepreneurial behaviour among employes and firm members (Ali,

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2024). Matins and Perez, (2025) showed that strategic directions had a major impact on employees' behaviour and behaviours, causing them to think and act like entrepreneurs. However, establishing adequate strategic orientations that will permit and grow EO can be challenging.

On the other hand**,** Saleh and Athari, (2023) explored the role of strategic direction in activating EO within a business, but concluded that it takes longer to witness and measure the impact of EO on management and employee entrepreneurial actions. This paper evaluates the literature on EO and enterprise performance.

Enterprise performance has been found to be significantly influenced by entrepreneurial orientation (EO), which is described as a company's inclination to innovate, take risks, and actively seek out opportunities (Suder, 2023.; Onikoyi, Fetuga, Omoyele and Odeh, 2023; Wales, Covin, Schüler and Baum, 2023). EO can improve enterprise performance by allowing organizations to capitalize on potential new possibilities and so remain competitive in a rapidly changing market environment **(**Sharippudin, Mahadi and Zakaria, 2024.**;** Oyeku, Oduyoye and Elemo, 2020)

This study is to specifically achieve the following objective: to review dimensions of entrepreneurial orientation (EO) investigated in the SMEs context, to review entrepreneurial orientation from theoretical perspective, to review the extent of solutions that has been found regarding the effect of entrepreneurial orientation on SMEs performance.

Dimensions of Entrepreneurial Orientation (EO) in the context of SMEs

There are two primary operationalizations of EO in the literature. While some authors have addressed the phenomenon using Miller's (1983) three dimensions of innovativeness, proactiveness, and risk-taking, others have supported Lumpkin and Dess's (1996) definition, which added two dimensions of autonomy and competitive aggressiveness (Lumpkin and Dess, 2021).

Innovativeness

The degree to which a product or service is novel in comparison to what is already available on the market is referred to as innovativeness (Sharippudin, Mahadi, and Zakaria, 2024). Entrepreneurial innovativeness is defined as tendency of entrepreneurs to originate and implement fresh ideas, products, or processes that add value to the market place (Rauch, Wiklund and Frese, 2020). It involves innovation and experimentation that that led to the development of new goods, services, or technological advancements.

It encompasses the entrepreneurial mindset of pursuing opportunities, taking risks, and challenging conventional wisdom to drive innovation and growth. innovativeness can be classified into technological innovativeness, product-market innovativeness and administrative innovativeness (Rassool, Sahaym, and Thren, 2023). A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes. Innovativeness can be classified into three types: technological, product-market, and administrative (Rassool, Sahaym, and Thren, 2023). It includes the entrepreneurial mindset of seeking

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opportunities, taking risks, and challenging conventional wisdom to drive innovation and growth. It entails a willingness to introduce newness and novelty thru experimentation and creative processes aimed at developing new products and services.

Innovativeness necessitates that businesses abandon established technology and processes in favour of pushing the boundaries of what is currently possible. Even when the benefits of an invention or a new idea is unknown, they must be encouraged. However, in today's rapidly changing environment, effectively developing, integrating, and exploiting innovations might be a critical path to gaining a competitive edge (Dess and Lumpkin 2021).

In the study carried out by Kato (2020) on how entrepreneurial orientation influenced the performance of SMEs in the Kansai region of Japan and Ivy &Hidayah (2021) in North Jakarta, the results found that innovativeness had a positive significant impact performance of SMEs in both countries. The research found that enterprises with an entrepreneurial mindset were more likely to innovate, finding new ways to serve their customers in a way that boosted their bottom line. The findings concluded if small and medium-sized enterprises (SMEs) want to improve performance they need to prioritize procedure and radical innovation in their transactions. Meanwhile, Ndesaulwa and Kikula (2016) evaluated the impact of innovation on the performance of Tanzanian small and medium-sized enterprises. There was very little empirical evidence. The results also showed that there was no consistent evidence of whether the innovativeness had an overall impact on business performance. The conclusion is thus not generally applicable.

In agreement with the work of Kato (2020), Alyahyaei, Husin, and Supian (2020) investigated impact of innovativeness on the performance of SMEs in Oman. The study revealed that innovativeness is positively and significantly related to business performance of SMEs in Oman. The hypothesis that product innovation, process innovation, marketing innovation, and organizational innovation are related to the performance of SMEs in Yobe State, Nigeria, was tested by Waziri, Ayuba, and Muhammad (2023). The findings demonstrated a positive and statistically significant connection between the performance of SMEs as the outcome and product and process innovations as predictions. However, when marketing and organizational innovations were taken into account as predictors of SMEs' performance, similar evidence was not obtained.

Proactiveness

Proactiveness entails taking initiative, anticipating and developing new markets. In addition to being the first to enter new markets, proactive organizations actively search out new opportunities and adapt to future needs (Hossain, Abdullah, Mohd Balwi, Lubis, Azizan, Alam, and Taha, 2022). Proactiveness refers to the enterprise's efforts to capitalize on fresh opportunities (Guo and Wang, 2022). Organizations that proactively analyze trends, identify future client needs, and predict changes in demand and difficulties that may result in new business possibilities (Kiyabo and Isaga, 2020).

Proactiveness not only recognize the shift, but also willing to act on their understanding of the competition (Karami, Ojala and Saarenketo, 2020). Many businesses are actively seeking ways to

modify the nature of competition in their industry, as well as to shift their focus to the future. The benefits acquired by the first company to enter new markets include developing a brand identity, employing administrative practices, and adopting new technology in an industrial operation known as first mover advantage. Furthermore, firms can engage proactively in two ways: (1) introducing a new product or technical capability in competition, and (2) always exploring for new products or services. In the study conducted by Sa'id (2022) in Tokyo, Rialti, Zollo and Ferraris, (2021) in Italy, Zhang and Chen (2021) in China and Nigeria among other researchers found that proactiveness had positive significant effects on SMEs performance while Ringo, Kazungu and Tegambwage, (2023) hypothesized that proactiveness improves enterprise performance in Tanzania. Surprisingly, proactiveness has a considerable negative impact on SMEs' performance. The study's findings are compatible with those of Francis and Collins-Dodd (2000), who discovered a negative impact of proactiveness on the performance of Canadian SMEs. Okangi (2019) also discovered that proactiveness has a detrimental impact on the performance of Tanzanian construction enterprises.
Similarly, a study by Skarmeas, Lisboa and Saridakis (2016) found that proactiveness had a negative impact on Portuguese exporting companies' investigation of export markets. Furthermore, the results of this study support the idea that most SMEs are reactive rather than proactive in seizing opportunities in overseas markets (Robb, Kim and Lee,2020). Since most SMEs that engage in international transactions take advantage of current foreign market opportunities by being reactive, which provides them time to evaluate market limits, this premise may be valid (Ringo, Kazungu and Tegambwage, (2023).

Risk-taking

The desire to take risks manifests itself by venturing into the unknown, incurring significant debt, and/or spending significant funds in ventures in new terrain (Iherobiem, Ariyibi and. Shokoya, 2023). Taking risks means making daring decisions such as venturing into unfamiliar terrain, investing a significant amount of capital in endeavours with unpredictable outcomes or situations, and incurring a large debt. According to Lumpkin and Dess (2021), entrepreneurially oriented organizations commonly engage in risk-taking behavior, such as taking out large loans or making significant resource commitments, in order to optimize returns by capitalizing on market opportunities. Risk-taking is the willingness to pursue opportunities that involve a high risk of loss or significant performance variations.

At the business level, risk-taking refers to a company's willingness to fund ventures with questionable expected returns. Making decisions and taking action without knowing what the likely outcomes will be; some projects may also require significant resource commitments in order to proceed.
Risk-taking is the propensity to make audacious decisions activities, such as entering undiscovered new markets and devoting a significant percentage of one's resources to initiatives with unclear outcomes. Risk-taking means a readiness to commit significant resources to chances with a high probability of failure (Suder, 2023; Ključnikov, Belás and Smrčka 2016). Risk handling is the process of identifying, analyzing, mitigating, and preventing potential business hazards, as well as balancing the cost of shielding the organization from a risk against the cost of being exposed to that risk. The

best strategy to deal with risk is to recognize it at the outset and take control of it immediately away (Zinn, 2017).

The study carried out by Bala, Yahya and Ibrahim; Nwachukwu, Shodipo, Charles and Onwuka and Ilemobayo (2025) on the influence of Risk taking on performance of small and medium scale enterprises in Nigeria revealed a strong positive correlation between risk-taking and SMEs performance and concluded that entrepreneurs who incorporated calculated risks have a tendency to attain improved performance stages. However, studies by Mazhar, Ting, Zaib, Nadeem and Abbasi, (2022): Isichei, Emmanuel and Odiba, 2020): Rezaei and Ortt (2018); Musa, Sajo and Nuhu (2026) found a weak and negative correlation between risk-taking and business performance

Autonomy

Being autonomous refers to a person or group acting independently to conceive and carry out a notion or vision (Khan, Afridi, and Amin, 2024). Autonomy also refers to the ability and motivation to pursue goals autonomously (Espinoza-Samaniego and Guevara, 2025). Autonomy can give organizational members the freedom and flexibility to develop and implement entrepreneurial ventures. It allows a group (or a person) to define the problem and the objectives that must be met in order to solve it, as well as solve the difficulties themselves.

As a result, autonomy is critical to the EO framework's methods for maximizing a company's current strengths, identifying prospects beyond the organization's current capabilities, and assisting in the development of new enterprises and better business practices. It refers to the degree to which individuals inside an organization have the flexibility and independence to make decisions, take risks, and seek possibilities without being constantly monitored. Entrepreneurs with a high degree of autonomy are more likely to be creative, proactive, and willing to take calculated risks in order to achieve their objectives. This aspect of entrepreneurial orientation is critical for developing a culture of creativity, experimentation, and adaptation inside a firm.

Researchers such as Khan, Afridi and Amin, (2024); Aliyu, Gorondutse and Magaji, (2025); Onikoyi, Fetuga, Omoyele and Odeh, (2023) among others showed that autonomy positively impacted business performance while Usoro (2021) found in his study that autonomy is positive but insignificantly affect SMEs' performance in North Central Nigeria. Musa, Sajo and Nuhu (2026) result showed a negative relationship between Autonomy and business performance in North East, Nigeria**.** In small and medium-sized businesses (SMEs), excessive or unguided autonomy can negatively impact performance, even if autonomy typically fosters creativity. When employees or managers drive the company in separate ways, it frequently results in ineffective coordination, resource waste, and a loss of fundamental business focus.

Competitive Aggressiveness

Competitive aggressiveness is a business's willingness to aggressively and directly compete with its competitors in order to obtain market share or increase its position in order to outperform competitors in similar industry. Competitive aggressiveness is a firm's responsiveness to competitors, which can

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be either reactive (reducing prices in response to a competitive threat) or 'head-to-head' (entering a market that another competitor has discovered).

Competitive aggression refers to a company's relentless pursuit of outperforming industry competitors and confronting them whenever possible (Saloi, Chanu and Kashyap, 2025; Adetayo, Ademola, Jegede, and Areola, 2026). Competitive aggressiveness is a company's passionate pursuit of outperforming industry competitors and facing them head-on whenever possible. (Espinoza-Samaniego and Guevara, 2025; Usoro, 2021). It is intended to discuss competitors (Lumpkin and Dess, 2021). A strong endeavour to outperform industry competitors. It is distinguished by a combative posture or aggressive response aimed at enhancing position or defeating a threat in a competitive market place.
It was established in the study carried out by Rita, Wahyudi, Muharam, Thren and Robiyanto (2022) that the beneficial effects of competitive aggressiveness on business performance are clear in the Province of Udine (northeast Italy) and the Kärtner Region (south of Austria). Sahaym, Datta and Brooks (2021) also demonstrated the positive relevance of competitive aggressiveness across industries in central region of Estonia. However, Usoro (2021) found in his study that competitive aggressiveness is positive but insignificantly affect SMEs' performance in North Central Nigeria. Results in the study carried out by Adetayo, Ademola, Jegede and Areola, (2026) indicated a statistically significant but weak positive relationship between entrepreneurial competitive aggressiveness and marketing performance of small and medium enterprises in Nigeria.

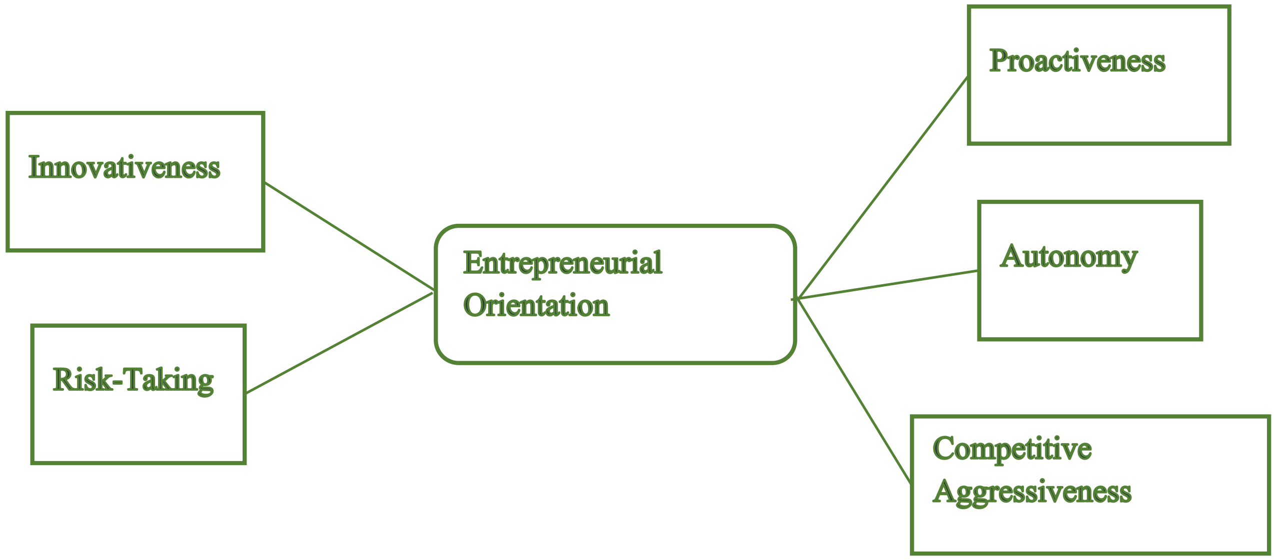

Figure 1: Dimensions of Entrepreneurial Orientation (EO)

Entrepreneurial Orientation from Theoretical Perspective
Entrepreneurial orientation does not occur in a vacuum. It is closely related to a number of fundamental theories that explain how businesses perform and act in certain ways.

Innovation theory of Entrepreneurship

Innovation theory of Entrepreneurship was promulgated by Schumpeter (1912). Schumpeter's most notable contributions to entrepreneurship are the ideas of innovation. The role of innovation and entrepreneurship in business performance was one of Schumpeter's most recurring themes.Schumpeter described development as a historical process of structural changes, primarily driven by innovation, which he divided into five types: the launch of a new product or a new kind of an already known product, the application of new methods of production or sales of a product, the opening of a new market, the acquisition of new sources of supply of raw materials. Schumpeter stated that anyone seeking profits must be innovative. Schumpeter argued that innovativeness was a key driver of competitiveness and economic dynamics.

Entrepreneurial orientation links Schumpeter's theory of innovation to firm-level strategic positions along five important dimensions: Proactiveness, which is in line with being first-to-market and upsetting static industry equilibria; innovativeness, which reflects Schumpeter's emphasis on new combinations, supporting R&D and novelty; risk-taking, which reflects the uncertain leap necessary to break established business norms; competitive aggressiveness, which is in line with the market pressure rivals face during creative destruction; and autonomy, which promotes independent, creative action to advance ideas outside of traditional bureaucracy.

The Innovativeness feature of EO is based on Schumpeter's theory of creative destruction. While Schumpeter focuses on individual entrepreneurs disrupting markets, EO takes this to the business level, explaining the organizational procedures required to continuously innovate and remain relevant. The theory encourages entrepreneurial orientation (EO) by promoting proactiveness and risk-taking, but it falls short by overlooking resource restrictions and external market forces.

Resource-Based View (RBV)

The Resource-Based View (RBV) was propounded by Penrose (1959). It asserts that a company's competitive advantage is derived from its internal resources and competencies. These internal resources are mobilized by the strategic competency of entrepreneurial orientation (EO), which is defined by defined by innovativeness, risk-taking and proactiveness. When combined, EO turns a company's distinctive resource mix into long-term commercial success. RBV describes a firm in terms of the resources it integrates. Penrose (1959) emphasizes the fact that a corporation is not only a unit, but also a collection of resources. Resources may be tangible or intangible in nature. Tangible resources include capital, access to capital, and location, among others while intangible resources include knowledge, skills, and reputation, as well as entrepreneurial orientation. As a result, the primary cause for firms' growth and success may be found within the firms, that is, firms with resources and superior capabilities will build up a platform for acquiring and maintaining competitive advantage (Mailani, Hulu, Simamora and Kesuma, 2024).

Resource based view believes that EO is the organizational engine that organizes and transforms common resources into original, valuable innovations. Additionally, a high EO makes it easier to capitalize on intangible qualities that competitors find difficult to replicate, such as tacit knowledge and entrepreneurial alertness. Strong resource bundles, therefore, only yield greater growth and financial rewards when combined with an aggressive, proactive EO stance. Its primary shortcomings are a static concentration that ignores rapidly shifting external market conditions, while its primary strengths include emphasizing core capabilities and distinctive intangible assets.

Dynamic Capabilities Theory
Dynamic Capabilities Theory was Propounded by Teece, Pisano and Shuen (1997). It defines entrepreneurial orientation as an organization's capacity to reposition internal and external competencies in rapidly changing markets. EO is frequently seen as a distinct type of dynamic capacity. To be proactive and innovative, a company must be able to integrate, grow, and reconfigure internal and external competencies to respond to fast changing circumstances.

Entrepreneurial Orientation (EO) and Dynamic Capabilities Theory combine to describe how businesses thrive and perform in rapidly evolving marketplaces. Dynamic capabilities give the structural mechanisms to sense, grasp, and convert resources, while entrepreneurial orientation provides the strategic mindset motivated by innovativeness, proactiveness, and risk-taking necessary to trigger and fuel such capabilities.

Dynamic capabilities show an organization's potential to gain new types of innovative competitive advantage as a result of certain path dependencies and market positions (Maulidina, Harri and Utomo, 2023). Teece, Pisano and Shuen (1997).'s view of dynamic capabilities is about how the ability of company or organization managers to integrate, build, and configure corporate or organizational competencies both from internal and external sources to be able to adapt to rapid environmental changes so that internal competencies and external as a source of sustainable competitive advantage.
Dynamic capabilities are techniques used by businesses or organizations to meet existing market developments with the goal of adapting to market dynamics. Dynamic capabilities involve combining organizational functional and technology talents to adapt to changing consumer needs and improve performance (Ramón, Lorenzo, Teresa, Rubio and Garcés, 2018). Its major shortcomings are conceptual ambiguity, tautological reasoning, and challenges with empirical measurement while its main merits are in explaining strategy renewal and constant adaptability.

Contingency Theory
The contingency theory was proposed by Fiedler (1964). Contingency theory emphasizes that the performance impact of entrepreneurial orientation (EO), which includes innovativeness, proactiveness, and risk-taking, is not universal. Instead, it is dependent on external and internal contingency variables such as environmental dynamism, market instability, and resource availability, which temper or influence the effectiveness of entrepreneurial initiatives in terms of financial and operational performance. Therefore, businesses must develop their features to fit with the situation in order to foster performance implication (Ngo, 2023).

Based on research, the environment affects how well EO works. High EO may result in tremendous success in dynamic, high-tech businesses, but it may also result in resource waste in stable, low-growth contexts, in line with contingency theory's no one optimal way principle (Ngo, 2023). Entrepreneurial competencies, organizational learning, and access to networks all influence whether a SME can successfully execute an entrepreneurial stance.

Contingency theory's strengths include its rejection of a one-size-fits-all approach. It enables business leaders to adapt to changing circumstances and specific company difficulties, recognizing that real-world business scenarios are complicated and necessitate situational judgment rather than strict rules. It also encourages thorough analysis of internal and external aspects prior to making judgments. In weakness, contingency theory reminds leaders that they must adjust depending on the situation, but it frequently fails to provide a clear, step-by-step action plan for each circumstance. It focuses on responding to present conditions rather than proactively shaping or forecasting future developments.

Extent of solutions that has been found regarding the effect of Entrepreneurial Orientation on SMEs Performance.

Research shows a strong, positive link between entrepreneurial orientation (EO) dimensions of innovativeness, proactiveness, and risk-taking and Small and Medium-sized Enterprises (SMEs) performance (Kato, 2020; Ivy and Hidayah, 2021; Sa'id,2 022; Rialti, Zollo and Ferraris, 2021; Zhang and Chen, 2021; Bala, Yahya and Ibrahim; Nwachukwu, Shodipo, Charles and Onwuka and Ilemobayo, 2025; Khan, Afridi and Amin, (2024); Aliyu, Gorondutse and Magaji, (2025); Onikoyi, Fetuga, Omoyele and Odeh, (2023); Rita, Wahyudi, Muharam, Thren and Robiyanto, (2022 Scholars have moved beyond simple linear models to find that this connection is dependent deeply on external environments, enterprise resources, and strategic competences

Studies consistently show that higher EO leads to improved sales growth, profits, market share and overall enterprise performance. The effect becomes more pronounced in dynamic, aggressive, or highly competitive markets where firms must innovate to survive. EO improves performance better when enterprises possess complementary assets such as dynamic capabilities, strategic flexibility, or digital literacy. Some researchers found insignificant connection between entrepreneurial orientation and enterprise performance, but one vital issue about this contradiction is that, the economies where EO has significant effect on SMEs performance are more educationally advanced than the economy where EO has insignificant connection with SMEs performance (Ringo, Kazungu and Tegambwage, 2023; Mazhar, Ting, Zaib, Nadeem and Abbasi, 2022: Isichei, Emmanuel and Odiba, 2020; Musa, Sajo and Nuhu, 2026; Musa, Sajo and Nuhu, 2026; Adetayo, Ademola, Jegede and Areola, 2026)

CONCLUSION

Contradictory findings are found in African economies. In contrast to Asia and Europe, where the results tend to be consistent across all economies, the results in Africa seemed to vary among all economies. Similar to other African nations where numerous researches have produced conflicting results, Nigeria's geopolitical zones have produced mixed conflicting results. In the meantime, there are still some gaps that need to be resolved: the majority of empirical data comes from developed economies or weighty emerging markets, leaving gaps in particular regional contexts like sub-Saharan

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