



ENTREPRENEURIAL PROACTIVENESS AND ITS EFFECT ON SMALL AND MEDIUM ENTERPRISES' PERFORMANCE: EVIDENCE FROM EMERGING ECONOMIES USING PLS-SEM

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Abstract

Entrepreneurial proactiveness plays a key role as a factor influencing the performance of small and medium enterprises (SMEs), especially in emerging economies characterised by a changing business environment. This study examines the impact of entrepreneurial proactiveness on the performance of SMEs. The specific objectives of the study are to determine the effects of initiative-taking, anticipating challenges and threats, and learning and adaptation on the performance of SMEs. A survey research design was adopted, considering a cross-sectional approach, using a purposeful sample technique to derive the sample size of two hundred and eighty-four (284) from the estimated working population of two thousand and fifty-six (2,056) SMEs operating in Computer Village, Ikeja, Lagos State, Nigeria which is the largest ICT markets in West Africa, hosting a large cluster of technology business. A well-structured questionnaire was used, and the collected data were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM) with algorithmic estimation and bootstrapping to assess both the measurement and structural models. The study finds that entrepreneurial proactiveness has significant effects on SMEs' performance. The study recommends that SME owners and their managers should pay more attention to initiative-taking, anticipating challenges and threats, and learning and adaptation in the business operations to achieve sustainable SME performance. This study demonstrates and concluded that entrepreneurial proactiveness has a major impact on SMEs' performance.

Keywords: Entrepreneurial proactiveness, Initiative-taking, SMEs Performance, Business Strategies, PLS-SEM



1. INTRODUCTION

SMEs' performance is the degree to which a small or medium-sized business (SMEs) is accomplishing its short- and long-term objectives. SMEs' performance is a key factor in determining their sustainability and the extent to which they can operate and compete with their rivals. SMEs' performance is a metric that characterises their well-being and may be influenced by their operational environment in addition to their efficacy and efficiency (Onyenma, 2019). The performance of SMEs is impacted by a number of factors, such as the competitive climate in which they operate, the quality of management, the capacity for innovation, and the availability of resources.

SMEs are frequently distinguished by their flexibility, agility, and ability to take advantage of market opportunities; as a result, they are essential to the development of local economies and the generation of jobs (Abubakar, 2025). Small and medium-sized enterprises (SMEs) are widely recognised as important contributors to economic growth, employment creation, and innovation, especially in developing nations (Halik, 2026). SMEs are crucial in determining the pace of the country's economic expansion. Performance review or measurement becomes an essential component to support these advances (Maolani et al., 2026). Small and medium-sized businesses are important to the economies of many developing nations, especially those in sub-Saharan Africa (Dwumah et al., 2024).

Small and Medium Enterprises play a critical role in most economies, particularly in emerging and developing countries. This is because SMEs play a major role in the development of domestic entrepreneurship, employment creation, output diversification, local technology progress, and forward integration with large-scale businesses (Onyenma & Hamilton, 2020). As businesses want their salespeople to meet their daily sales goals and route plans, they also face worldwide obstacles in increasing the degree of automation in their sales operations (Oyalakun et al., 2020) while playing a key role in society development. Actually, it has been discovered that the majority of private businesses in several developing nations belong to the SME sector (Rahaman et al., 2021).

Proactiveness has been highlighted in a number of studies as a key factor in resilience and sustained performance in dynamic contexts (Adedeji, 2025). In a similar vein, proactive businesses were more likely to modify their business models, obtain recovery assistance, and restore profitability during economic downturns, according to Abubakar and Dozie (2024). Concurrently, the importance of entrepreneurial proactiveness in determining an organisation's longevity and resilience is becoming more widely acknowledged (Clinton, 2025). Instead of waiting for market conditions to dictate their activities, proactive entrepreneurs foresee possible changes in consumer preferences, competitive behaviour, and technical advancements and modify their business strategy appropriately (Akinwale et al., 2025).



This forward-thinking approach enables businesses to expand their services, take advantage of new opportunities before rivals, and have a solid market presence (Cyril-Nwuche, 2025). Being proactive has the advantage of allowing a business to take advantage of opportunities when its strengths coincide with changes in the market. Potential corporate growth chances are influenced by new inventions, technological developments, social movements, and shifts in consumer demands and perceptions. Finding, planning, and investing in new opportunities before it's too late are advantages of being proactive for SME actors (Yandi et al., 2024).

As a result, the ability to be proactive becomes crucial for SME effectiveness in navigating fiercer commercial rivalry. Its effectiveness is the process by which an organisation aims to achieve its goals as efficiently as possible while using the least amount of energy, time, money, human resources, and material resources (Oyalakun et al., 2022). SME performance can maximise development potential through innovation and active market participation, in addition to improving adaptability by cultivating a proactive mindset. In order to secure SMEs' survival, adaptability, and capacity to take advantage of new opportunities in this cutthroat business environment, proactivity must be a crucial component of their development strategies in the face of rapid change (Yandi et al., 2024).

However, SMEs operate in a dynamic and competitive business environment, and as the environment gets more complicated, owners and managers face numerous obstacles that limit their prospects of success (Dwumah et al., 2024). The study of proactive orientation and its effect on SME performance still has a number of unmet research gaps. First, there is a clear empirical vacuum because most studies concentrate on businesses in rich nations, paying little attention to the contextual difficulties that SMEs in developing nations like Nigeria face. For instance, research by Belschak and Hartog (2010) emphasised the advantages of proactive behaviour, but it has not adequately addressed contextual elements, including inadequate infrastructure, erratic rules, and the impact of regional corporate culture.

Second, there is still little empirical data on the impact of entrepreneurial proactiveness on the success of SMEs in Nigeria, despite the growing interest in this topic. The majority of research focuses on large companies, which leaves a knowledge gap about how proactiveness affects SMEs' success in an operational setting. Therefore, assessing the combined effects of entrepreneurial proactiveness on SME performance would offer much clearer empirical support for the self-determination theory and could give SMEs in the ICT sector in developing nations like Nigeria a competitive edge.

2. LITERATURE REVIEW

SMEs Performance

SME performance is the efficiency and success of small and medium-sized enterprises in accomplishing their goals and promoting general economic expansion. Numerous criteria,



including non-financial elements like customer satisfaction, employee engagement, and market share, as well as financial ones like revenue, profit margins, and return on investment, can be used to gauge its performance (Leiva & Smith, 2023). It is challenging to improve corporate performance; different approaches and suitable tactics are required (Maolani et al., 2026). The intricacies of Nigeria's small and medium-sized business SME industry and take the necessary steps to guarantee that the struggling SMEs would achieve improved performance and long-term growth.

Performance also describes how an individual or group comes to a decision in order to achieve a goal. Performance can be defined as a notable accomplishment in a particular sector of endeavour. According to Yucesoy and Barabň (2016), performance is the sum of all objectively measurable accomplishments in a certain field of endeavour. This idea includes a number of aspects, such as market performance, sales volume and market share; operational efficiency, such as productivity and cost control; and financial performance, such as profitability and revenue growth. The effectiveness of SMEs' distribution strategy is one of the crucial strategic factors affecting their performance (Halik, 2026). Key performance indicators (KPIs), which offer insights into the company's capacity to compete, expand, and sustain itself in the business landscape, are frequently used to assess SME performance (Oba & Onuoha, 2022).

Entrepreneurial Proactiveness

The propensity of business owners or managers to foresee future opportunities and take intentional steps to grasp them before competitors is known as entrepreneurial proactiveness (Ogundare & Merwe, 2024). Clinton (2025) asserted that it entails anticipating the business environment and taking proactive measures to put the company in a favourable position. Instead of waiting for things to happen, this perspective emphasises making changes. Instead of being satisfied with reacting passively to market conditions, people or organisations that demonstrate entrepreneurial proactiveness actively shape their trajectory by investigating possible growth avenues, spotting emerging trends, and making early strategic moves that impact the market or industry (Chabo-Terver & Adudu, 2024).

Taking the initiative is the essence of entrepreneurial proactiveness. It is the desire to go beyond reactivity and everyday tasks (Ibijoju et al., 2025). Entrepreneurs who are proactive show a readiness to question the current quo and take part in initiatives that might not provide results right away but give them a competitive edge over time. Instead of being passive victims of outside environmental forces, proactive entrepreneurs actively shape the environment in which they operate. Instead of trying to forecast future environmental changes, they usually focus on managing these environmental pressures when confronted with a very uncertain external environment. Furthermore, proactive entrepreneurs typically view contingencies as opportunities and work to capitalise on them rather than avoid them (Zhao & Smallbone, 2019). Their goal is to convert the contingency into the resources needed to accomplish their objectives (Sarasvathy



& Kotha, 2001).

Entrepreneurial Proactiveness and SMEs Performance

For SMEs to thrive and take advantage of new market opportunities, proactive attitudes are essential. SME players can change goods, services, and marketing tactics in response to changing consumer needs by being proactive (Lumpkin & Dess, 2005). According to Yandi et al. (2024) proactive behaviour encourages SME actors to generate competitive advantages and forward-thinking strategies. Proactivity in SMEs takes the form of investigating new product ideas, embracing digital technology, and creating new business networks to boost competitiveness (Zahra & Covin, 1995).

Research by Hughes and Morgan (2007) found that proactive SMEs are better equipped to handle market obstacles and adapt quickly to changing customer demands. Proactive small and medium-sized businesses have demonstrated a greater capacity to respond to consumer demands and align with market trends, thereby filling any gaps that may arise and requiring prompt action by entrepreneurs. This helps these businesses stay ahead of their rivals by making them extremely responsive to market demands. The ability of small business owners to proactively anticipate emerging possibilities and respond by implementing essential strategies that suit the changing requirements of consumers is highly correlated with the growth and continuity of small enterprises (Ngugi & Karanja, 2021).

Initiative-taking and SMEs Performance

A key component of entrepreneurial behaviour is initiative-taking, which shows a company's ability to take the initiative, foresee opportunities, and carry out strategic changes on its own initiative (Lumpkin & Dess, 1996). Because it entails self-initiated activity intended to take advantage of future chances and gain a competitive edge, it differs from simple responsiveness (Covin & Slevin, 1991). Initiative-taking in the context of small and medium-sized enterprises (SMEs) refers to the degree to which managers and owners start new projects, procedures, or market shifts that have the potential to affect organisational results.

High levels of entrepreneurial initiative are linked to better performance among small businesses, according to Wiklund and Shepherd (2005), who emphasised that initiative allows for early market entry and the exploitation of undiscovered prospects. Proactive entrepreneurial behaviours, such as taking initiative, are positively correlated with several performance aspects, including growth and profitability, according to a meta-analysis (Rauch et al., 2009). According to Okpara (2016), Nigerian SMEs that exhibit high levels of initiative are more likely to reinvent their operational procedures, which enhances their efficiency and responsiveness to customers.

Ho1: Initiative-taking has no significant effect on SMEs Performance.



Anticipating Challenges and Threats (ACT) and SMEs Performance

The capacity to anticipate possible dangers and create plans to lessen their effects is necessary for anticipating difficulties and threats. For SMEs operating in unpredictable and volatile environments, this aspect of proactive orientation is crucial, as it enables them to develop resilience and maintain operational stability (Nicholls, 1984). Risk assessment, scenario planning, and the creation of backup plans are examples of ACT practices that are crucial for negotiating challenging corporate contexts. SMEs deal with a variety of difficulties, such as market volatility, regulatory impediments, and inadequate infrastructure. SMEs that proactively foresee and plan for these issues are more likely to achieve sustainable performance (Pertheban et al., 2023). SMEs are better prepared to handle economic shocks and competitive challenges, for example, if they invest in market research and implement risk management techniques. This emphasises how important it is for SMEs to incorporate ACT into their strategic planning procedures in order to improve their adaptability and resilience.

Ho2: Anticipating challenges and threats has no significant effect on SMEs Performance.

Learning and Adaptation (LA) and SMEs Performance

The ongoing process of gaining information, abilities, and experiences to enhance organisational performance and adjust to shifting conditions is referred to as learning and adaptation. This aspect of proactive orientation highlights how crucial adaptability and responsiveness are to preserving competitiveness (Schunk & DiBenedetto, 2020). Prioritising learning and adaptation put SMEs in a better position to innovate, improve operational effectiveness, and meet customer demands. Learning and adaptability are essential for SMEs to overcome the difficulties brought on by shifting market conditions and scarce resources. Research has demonstrated that SMEs that adopt technology, invest in employee training, and cultivate an innovative culture see notable gains in performance (Onu et al., 2022). Additionally, engagement in knowledge-sharing networks and cooperation with industry stakeholders can improve SMEs' capacity for learning and adaptability.

Ho3: Learning and adaptation have no significant effect on SMEs performance.

Theoretical Review

Self-Determination Theory

Deci and Ryan (1985, 2000) established the Self-Determination Theory (SDT), a motivational theory that describes human behaviour based on the extent to which acts are self-motivated and self-regulated. According to the notion, people who are motivated by internal factors rather than external ones are more likely to act in proactive, persistent, and high-quality ways. When these demands are met, business owners and managers in SMEs are encouraged to take initiative (INT), foresee obstacles (ACT), and participate in adaptive learning (LA). For instance, owners of SMEs are motivated to plan and react proactively to changes in the market by intrinsic motivation resulting from the need for autonomy and competence.



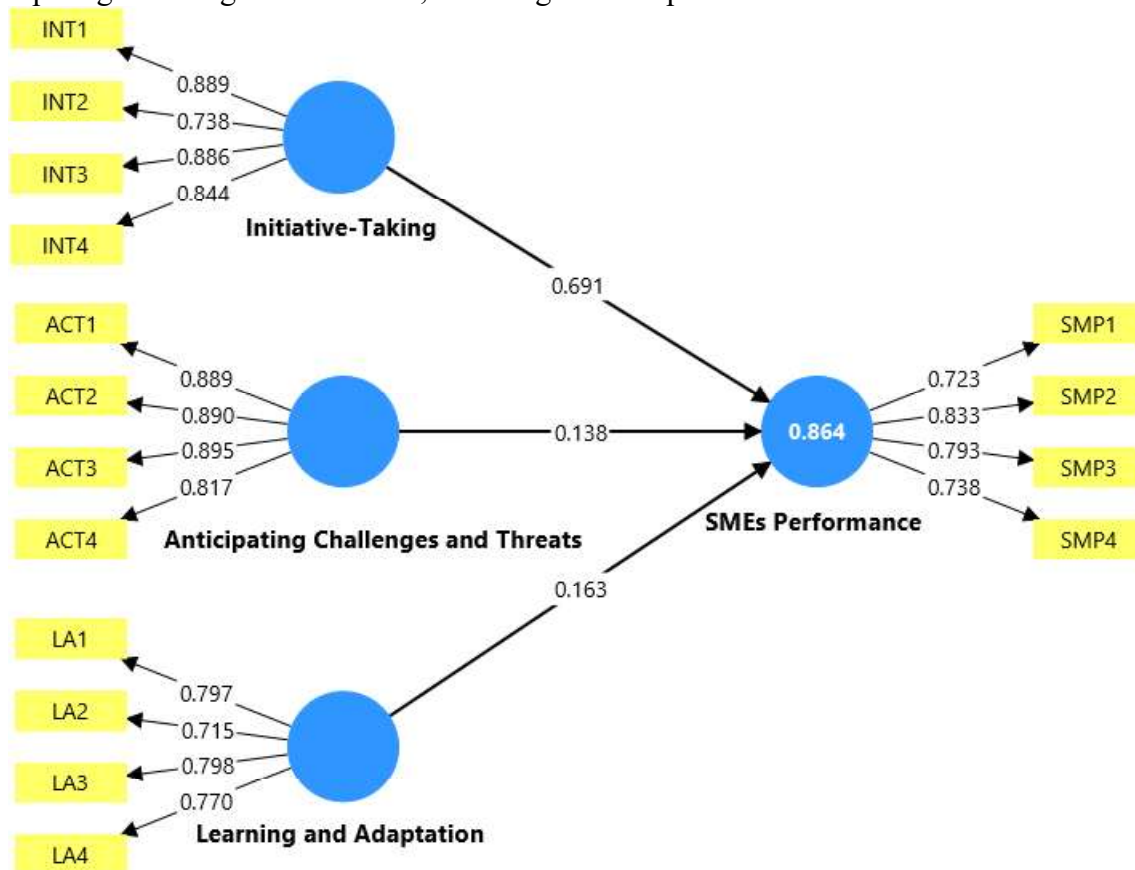
Motivated entrepreneurs have greater resilience and adaptability, which are essential for sustained success in demanding contexts, according to recent research of Ryan and Deci (2020) and Vansteenkiste et al. (2020). SDT offers a strong framework for comprehending how proactive activities that propel SME performance are fostered by intrinsic motivation. Self-Determination Theory is used in this study to explain how proactive entrepreneurial behaviours, such as taking initiative, foreseeing obstacles and threats, and learning and adapting, are driven by the innate motivation of SME owner-managers. These behaviours in turn affect SME performance in Computer Village, Ikeja, Lagos State. The research offers a motivational explanation for differences in proactive conduct and performance among SMEs functioning in a fiercely competitive and dynamic business environment by basing the study on SDT. This study is based on SDT, which explains how proactive activities that improve business success are driven by entrepreneurs' autonomy and intrinsic motivation.

3. METHODOLOGY

To gather information from the respondents, a survey research design was adopted, and a cross-sectional technique was employed in this study. All owner-managed small and medium-sized businesses (SMEs) in Computer Village, Ikeja, Lagos State, Nigeria, made up the study population. Intense rivalry, rapid technological advancements, short product life cycles, and strong customer demand for innovation and high-quality services define the business environment in Computer Village. A total of 284 business owners from mobile phone retailers, laptop and gadget dealers, repair and maintenance shops, accessory vendors, software, and IT service providers were included in the purposeful sampling technique. Because the study explicitly targeted owner-managers of SMEs who are directly in charge of strategic decision-making, initiative-taking, and adaptive activities inside their companies. Given the nature of this study, questionnaires were deemed the most suitable data-gathering tool. There were twenty-four items (questions) on a five-point Likert scale. With the aid of SmartPLS 4, the data were examined using Partial Least Squares Structural Equation Modelling (PLS-SEM) to evaluate the suggested research model and test the study hypotheses. PLS-SEM is a variance-based structural equation modelling technique that works well for complex models, studies with small to medium sample sizes, and exploratory and predictive research. Additionally, it is suitable for SME survey data since it is resilient to multivariate normality violations.

4. RESULTS AND DISCUSSION OF FINDINGS

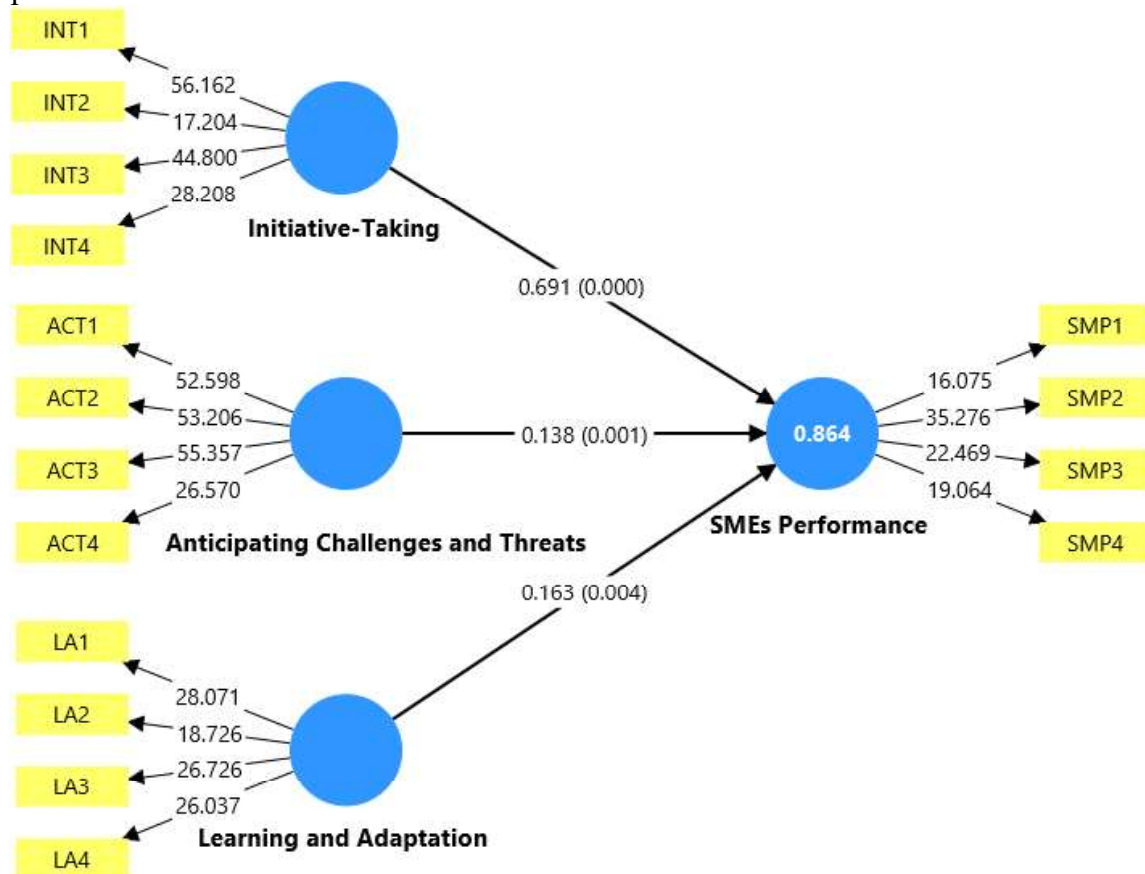
Figure 1: PLS-SEM Algorithm Output for the direct relationship between Initiative-Taking, Anticipating Challenges and Threats, Learning and Adaptation and SMEs Performance.



Source: Author's computation (2026)

The PLS-SEM method results are shown in Figure 1 above. The indicator reliability of the measurement model is excellent. The outer loadings of all indicators are higher than the suggested cutoff point of 0.70, suggesting that the observed variables accurately reflect the corresponding latent structures. With values ranging from 0.738 to 0.889, the Initiative-Taking (INT) indicators loaded strongly on the construct, indicating sufficient reliability. Strong construct representation is suggested by the high indicator loadings for Anticipating Challenges and Threats (ACT), which range from 0.817 to 0.895. The acceptable loadings for Learning and Adaptation (LA) indicators ranged from 0.715 to 0.798. The SMEs Performance (SMP) indicators showed high measurement quality, loading between 0.723 and 0.833. Overall, the algorithm findings indicate that the reflecting measurement model is appropriate for structural model evaluation and well-specified.

Figure 2: PLS-SEM Bootstrapping Output showing the statistical significance and effects of the relationship between Initiative-Taking, Anticipating Challenges and Threats, Learning and Adaptation and SMEs Performance.



Source: Author's computation (2026)

Initiative-taking has a large and statistically significant impact on SMEs' performance, according to the bootstrapping results ($\beta = 0.691$, $p < 0.001$). Additionally, learning and adaptability ($\beta = 0.163$, $p = 0.004$) and anticipating difficulties and threats ($\beta = 0.138$, $p = 0.001$) have beneficial and substantial effects. The model has significant explanatory power, explaining 86.4% of the variance in SMEs' performance ($R^2 = 0.864$).



Table 1: Assessment of Reflective Measurement Model

Latent Variables	Item Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Initiative-Taking	INT1	0.889	0.86	0.906	0.708
	INT2	0.738			
	INT3	0.886			
	INT4	0.844			
Anticipating Challenges and Threats	ACT1	0.889	0.896	0.928	0.763
	ACT2	0.89			
	ACT3	0.895			
	ACT4	0.817			
Learning and Adaptation	LA1	0.797	0.772	0.854	0.594
	LA2	0.715			
	LA3	0.798			
	LA4	0.77			
SMEs Performance	SMP1	0.723	0.775	0.856	0.598
	SMP2	0.833			
	SMP3	0.793			
	SMP4	0.738			

Source: *Author's computation (2026)*

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Table 2: Discriminant Validity Assessment Using the Heterotrait-Monotrait Criterion

	Initiative-Taking	Anticipating Challenges and Threats	Learning and Adaptation	SMEs Performance
Initiative-Taking				
Anticipating Challenges and Threats	0.79			
Learning and Adaptation	0.815	0.963		
SMEs Performance	0.87	1.112	1.034	

Source: *Author's computation (2026)*



The Heterotrait–Monotrait Ratio (HTMT) was used to evaluate discriminant validity. Since all HTMT values were below the suggested cutoff of 0.90, the results show that discriminant validity between initiative-taking and the other variables is established. The HTMT values for learning and adaptability, SMEs performance, and predicting difficulties and dangers, however, are above the threshold, indicating a strong level of conceptual relatedness among these constructs. The results show theoretical proximity rather than measurement redundancy since these categories reflect closely linked aspects of business success and entrepreneurial proactiveness. However, care should be taken while interpreting the results.

Table 3: Hypotheses Testing Summary Table (Path Coefficient)

Hypotheses	Path	B	t-Value	p-Value	Decision	R ²
H1	INT-SMP	0.691	12.312	0.000	Supported	0.864
H2	ACT -SMP	0.138	3.312	0.001	Supported	
H3	LA-SMP	0.163	2.878	0.004	Supported	

Source: *Author's computation (2026)*

Hypotheses Testing Results

The results of the hypothesis testing based on the PLS-SEM bootstrapping process are shown in Table 3 as above, together with the coefficient of determination (R^2), t-values, p-values, and standardised path coefficients (β). From the results of the structural path, all of the proposed associations are positive and statistically significant, according to the results.

Hypothesis One

Ho1: Initiative-taking has no significant effect on SMEs Performance.

The performance of SMEs is strongly and favourably impacted by initiative-taking ($\beta = 0.691$, $t = 12.312$, $p < 0.001$). This suggests that SMEs get better performance outcomes when they take the initiative, lead market actions, and grab opportunities before rivals. As a result, the null hypothesis is rejected.

Hypothesis Two

Ho2: Learning and adaptation have no significant effect on SMEs performance.

The performance of SMEs is positively and significantly impacted by learning and adaptation ($\beta = 0.163$, $t = 2.878$, $p = 0.004$). This suggests that SMEs perform better when they consistently learn from their experiences and adjust to shifting business conditions. As a result, the null hypothesis is rejected.

Hypothesis Three

Ho3: Anticipating challenges and threats has no significant effect on SMEs Performance.

SMEs' performance is positively and significantly impacted by anticipating problems and threats ($\beta = 0.138$, $t = 3.312$, $p = 0.001$). This finding implies that SMEs are better positioned to improve their performance if they proactively anticipate possible risks and environmental threats.



Table 4: Effect Size (f^2)

Construct	f^2	Effect Size
Initiative-Taking -> SMEs' Performance	1.16	Huge effect
Anticipating Challenges and Threats -> SMEs' Performance	0.07	Small effect
Learning and Adaptation -> SMEs' Performance	0.07	Small effect

Source: *Author's computation (2026)*

Table 4 above, it shows the effect sizes on the constructs. To evaluate each predictor's relative contribution to SMEs' performance, effect size analysis was performed using f^2 . The findings show that initiative-taking has a significant impact on SMEs' performance ($f^2 = 1.16$), emphasising its central role in influencing performance outcomes. On the other hand, learning and adaptation ($f^2 = 0.07$) and anticipating problems and threats ($f^2 = 0.07$) show small effect sizes, indicating that while their impacts are statistically significant, their actual impact on performance is rather limited.

Discussion of Findings

The results show that SMEs' performance is much enhanced by entrepreneurial proactiveness, with initiative-taking appearing as the strongest predictor. According to earlier research (Covin & Slevin, 1989; Lumpkin & Dess, 2001), proactive businesses that take action before rivals get better performance outcomes. Continuous learning and strategic flexibility improve company effectiveness in dynamic situations, as demonstrated by the favourable effects of learning and adaptation on performance (Sinkula et al., 1997; Teece et al., 1997). By enhancing SMEs' capacity to handle uncertainty and risk, anticipating obstacles and risks also improves performance (Miller, 1983). These findings, which are grounded in Self-Determination Theory, imply that competence-driven entrepreneurial behaviours and autonomy spur proactive actions that result in enhanced business performance (Deci & Ryan, 2000).

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

In line with the findings of the study, it can be concluded that entrepreneurial proactiveness has a significant and positive effect on SMEs' performance. This study demonstrates that entrepreneurial proactiveness has a major impact on SMEs' performance using partial least squares structural equation modelling (PLS-SEM). The results of the structural model show that SMEs' performance is positively and significantly impacted by initiative-taking, learning and adaptation, and predicting problems and risks, with initiative-taking exhibiting the strongest explanatory power. The large explanatory variance (R^2) further suggests that the performance of



SMEs is significantly influenced by entrepreneurial proactiveness. Overall, the results highlight the importance of proactive entrepreneurial practices in improving SME performance and validate the robustness of the suggested model.

Recommendations

Initiative-taking and adaptive learning strategies should be given priority by SME owners and managers, according to the PLS-SEM results, since they have larger route coefficients and impact sizes. Policymakers and entrepreneurship support organisations should create intervention programs that encourage proactive decision-making, strategic anticipation, and learning capacities within SMEs. In order to reinforce proactive actions that boost performance, training programs should also place a strong emphasis on fostering intrinsic drive and autonomy.

Contributions to Knowledge

By empirically proving that entrepreneurial proactiveness expressed through initiative-taking, predicting obstacles, and learning and adaptation reflects entrepreneurs' autonomy and competence and greatly improves SMEs performance, this study expands on Self-Determination Theory (SDT). In terms of methodology, the study makes a contribution by using PLS-SEM to concurrently validate the measurement and structural correlations between performance outcomes and proactiveness dimensions. Empirically, it addresses the limited application of SDT-driven entrepreneurial proactiveness models in developing economies by adding context-specific evidence from SMEs.

Suggestions for Further Studies

Longitudinal PLS-SEM should be used in future studies to investigate the causal relationships between performance over time and entrepreneurial proactiveness. Within the PLS-SEM paradigm, researchers may also include mediators or moderators like firm age, environmental turbulence, or financing availability. The generalisability of the results would be further improved by replicating the model in several industries or geographical areas.

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