



## EFFECT OF ENTREPRENEURIAL ORIENTATION AND SAFETY CULTURE ON BUSINESS PERFORMANCE AMONG SELECTED SMALL AND MEDIUM ENTERPRISES (SMEs) IN SOUTH WEST NIGERIA

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### Abstract

This study investigates the effect of entrepreneurial orientation and safety culture on business performance among selected small and medium-sized enterprises (SMEs) in South West Nigeria. Despite extensive research on each variable independently, limited empirical attention has been paid to their combined influence on SME performance within the Nigerian context. A survey research design was adopted, using a structured questionnaire to collect data from selected SMEs across Lagos, Ogun, Osun, Oyo, Ondo, and Ekiti States. Data were analyzed using descriptive statistics and multiple regression analysis. Findings from the result of multiple regression results reveal that entrepreneurial orientation variables explain 85.0% of the variance in business performance ( $R^2 = 0.850$ , Adjusted  $R^2 = 0.849$ ,  $F = 554.345$ ,  $p < 0.01$ ), with innovativeness ( $t = 10.587$ ), proactiveness ( $t = 13.847$ ), risk-taking ( $t = 45.654$ ), and competitive aggressiveness ( $t = 2.665$ ) showing significant positive effects, while autonomy ( $t = -0.216$ ) was not significant. Similarly, safety culture variables account for 82.3% of the variance in performance ( $R^2 = 0.823$ , Adjusted  $R^2 = 0.822$ ,  $F = 478.215$ ,  $p < 0.01$ ), with management commitment ( $t = 10.517$ ), employee training ( $t = 13.405$ ), safety communication ( $t = 3.993$ ), and hazard control ( $t = 5.967$ ) having significant positive effects, while employee involvement ( $t = 0.844$ ) was not statistically significant. The study concludes that the integration of entrepreneurial orientation and safety culture significantly enhances business performance. It recommends that SME owners foster innovation and strategic risk-taking while embedding strong safety practices and leadership commitment to improve operational efficiency and competitiveness.

**Keywords:** Entrepreneurial Orientation, Safety Culture, Business Performance, SMEs, South West Nigeria, Innovation, Risk-taking, Workplace Safety.

### Introduction

Small and Medium Enterprises (SMEs) play a vital role in the economic growth and development of nations, particularly in developing economies like Nigeria. In South West Nigeria, SMEs contribute

significantly to employment generation, poverty reduction, and innovation. However, the volatile business environment and increasing competition have made it imperative for SMEs to adopt strategic approaches to sustain and enhance their performance (Adebayo & Olamide, 2021). Entrepreneurial orientation (EO), often characterized by innovativeness, proactiveness, and risk-taking, has emerged as a key strategic orientation influencing firm performance. Empirical studies have shown that SMEs with strong EO tend to be more adaptive and competitive in uncertain markets (Okafor et al., 2022; Eze & Aina, 2020). However, while the link between EO and business performance has been widely studied, less attention has been paid to the role of organizational factors such as safety culture as a moderating or complementary variable in this relationship.

Safety culture refers to the shared values, beliefs, and practices related to safety in an organization. In SMEs, particularly those in sectors like manufacturing, construction, and hospitality, a strong safety culture can minimize workplace accidents, enhance employee morale, and improve operational efficiency (Ogunyemi & Ibrahim, 2023). Recent studies have emphasized that safety practices not only protect workers but also influence organizational productivity and reputation (Ibrahim & Adeoye, 2024).

The integration of entrepreneurial orientation and safety culture presents a multidimensional approach to understanding business performance in SMEs. While EO drives innovation and market responsiveness, safety culture ensures sustainability and risk mitigation. Yet, studies linking these two concepts together in the context of Nigerian SMEs remain scarce. This study therefore seeks to fill this gap by examining the joint effect of entrepreneurial orientation and safety culture on business performance among selected SMEs in South West Nigeria.

### **Statement of the Problem**

Despite the significant contribution of Small and Medium Enterprises (SMEs) to employment creation and economic growth in South West Nigeria, many of these businesses continue to struggle with performance sustainability, competitiveness, and operational resilience. The Nigerian business environment is marked by high levels of uncertainty, infrastructural deficits, regulatory inconsistencies, and economic instability, which demand adaptive and proactive strategic orientations from SMEs (Adebayo & Olamide, 2021). However, in practice, many SMEs in South West Nigeria do not fully implement or sustain such orientations, either due to resource constraints or a lack of strategic capacity (Okafor et al., 2022). Furthermore, studies have shown inconsistent results regarding the impact of EO on firm performance in developing economies, suggesting that other contextual or organizational factors may moderate this relationship (Eze & Aina, 2020).

One such underexplored factor is safety culture, which encompasses the values, beliefs, and practices that prioritize safety in the workplace. In SMEs, where operational hazards are often poorly managed, especially in manufacturing and construction sub-sectors, safety lapses can lead to employee injuries, litigation, reduced morale, and even business closure (Ogunyemi & Ibrahim, 2023). Despite its potential strategic importance, safety culture is often overlooked by SME

operators who may view it as an additional cost rather than an investment in productivity and sustainability (Ibrahim & Adeoye, 2024). Moreover, there is a dearth of empirical studies in Nigeria that investigate the joint impact of entrepreneurial orientation and safety culture on business performance. Most existing studies tend to examine these constructs in isolation, thus failing to capture the interactive and potentially synergistic effects that could provide a more holistic understanding of SME performance dynamics.

Therefore, this study seeks to address the gap in literature and practice by investigating how entrepreneurial orientation and safety culture jointly influence the performance of selected SMEs in South West Nigeria. Understanding this relationship is critical for formulating effective strategies that promote business sustainability, worker safety, and long-term competitiveness.

### **Objective of the Study**

The aim of the study is to examine the effect of entrepreneurial orientation and safety culture on business performance among selected SMEs in South West Nigeria

### **Literature review**

#### **Review of Previous Studies**

Several empirical studies have explored the relationship between entrepreneurial orientation (EO) and business performance, while a growing body of research is now examining the role of safety culture in enhancing organizational outcomes. However, the integration of both EO and safety culture in predicting SME performance remains limited, especially within the Nigerian context. Okafor, Chukwuma, and Adekunle (2022) investigated the link between entrepreneurial orientation and SME performance in the Nigerian service industry. Their findings revealed that innovativeness and proactiveness had a significant positive impact on business growth and customer satisfaction. Similarly, Eze and Aina (2020) found that EO elements, particularly risk-taking and proactiveness, were essential in driving strategic decisions that enhanced the profitability of SMEs operating in volatile environments.

In contrast, Adebayo and Olamide (2021) noted that while EO positively influences business performance, the effect is often moderated by environmental dynamism and internal managerial capabilities. This suggests that EO alone may not guarantee improved performance unless supported by other organizational or contextual factors.

Internationally, a study by Chen and Lee (2021) on Taiwanese manufacturing SMEs found that EO significantly predicts business performance, but its effect was stronger when combined with a strong internal safety culture. Similarly, Khalid and Ahmad (2022) in Pakistan observed that the integration of EO and safety culture positively influenced employee satisfaction and customer retention in medium-scale food processing firms. Despite these insights, the Nigerian literature remains underdeveloped in assessing this joint relationship. Most local studies either focus on EO or safety management independently, without capturing their interaction effects. This gap in

literature underscores the need for context-specific research to provide evidence-based strategies for SME growth and sustainability.

The reviewed studies support the individual relevance of both entrepreneurial orientation and safety culture to business success. However, the lack of integrated empirical work in South West Nigeria presents a clear opportunity for this study to contribute to both academic literature and practical SME development policy.

### **Methodology**

The study employed survey design using well-structured questionnaire. The population of the study comprises of small and medium scale enterprises in South West, Nigeria while the study sample size comprises of selected small and medium scale enterprises in Osun, Lagos, Ogun, Oyo, Ondo, and Ekiti States in Nigeria. Purposive sampling technique was used to select the sample size. Both descriptive and inferential statistics were employed in the employed for data analysis. Descriptive statistics employed include minimum, maximum, mean and standard deviation while inferential of multiple regression analysis was used to examine the effect of entrepreneurial orientation and safety culture on business performance among selected SMEs in South West Nigeria

### **Results and Discussion**

#### **Multiple Regression Analysis of Entrepreneurial Orientation on Business Performance**

The multiple regression model in Table 1 used to examine the effect of entrepreneurial orientation dimensions (innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy) on SME performance in South West Nigeria yielded an  $R^2$  of 0.850. This indicates that 85% of the variation in SME performance can be explained by the model. The remaining 15% is attributed to external or unobserved factors (stochastic error term). The adjusted  $R^2$  of 0.849 confirms that the model is robust and not overfitted. The F-statistic (554.345) and its p-value (0.000) show that the model is statistically significant at the 1% level, meaning that the independent variables jointly have a strong effect on SME performance. This variable is positively significant at the 1% level, implying that firms that introduce new products, processes, or ideas are more likely to experience improved performance. This aligns with Okafor et al. (2022), who found that innovativeness boosts competitive edge and customer satisfaction in Nigerian SMEs.

Proactiveness also has a significant positive effect on performance, suggesting that SMEs that anticipate and act on future demand outperform reactive firms. This supports findings by Eze & Aina (2020) who identified proactiveness as a key determinant of resilience and strategic growth. Though its coefficient is relatively small, competitive aggressiveness is statistically significant at the 1% level. This implies that engaging in assertive strategies to outperform competitors, such as pricing tactics or market positioning, can improve performance marginally. This variable shows the strongest positive effect on performance. Firms willing to take calculated risks — such as

investing in uncertain markets or innovative products — tend to perform better. This supports Adebayo & Olamide (2021) who emphasized risk-taking as a driver of profitability and adaptability. Unlike the other variables, autonomy shows a negative and non-significant effect on SME performance. This could suggest that independent decision-making without adequate collaboration or oversight may not enhance performance in the Nigerian SME context. Cultural or managerial structures may play a role here.

**Table 1: Multiple Regression Analysis of Entrepreneurial Orientation on Business Performance**

Variable	Symbol	Coefficient ( $\beta$ )	Std. Error	T-calculated
Constant	$\beta_0$	-69.593	242.240	-0.287
Innovativeness	$\beta_1$	1.088	0.103	10.58
Proactiveness	$\beta_2$	1.052	0.076	13.847*
Competitive Aggressiveness	$\beta_3$	0.047	0.017	2.665**
Risk Taking	$\beta_4$	1.141	0.025	45.654
Autonomy	$\beta_5$	-15.253	70.641	-0.216

Source: Field Survey (2025)

\*\*\*Significant at 10 % level

$R^2 = 0.850$  | Adjusted  $R^2 = 0.849$  | F-stat = 554.345 | Prob (F-stat) = 0.000 | Durbin-Watson = 2.135

Dependent Variable: Business Performance (Y)

### Multiple Regression Analysis on the Effect of Safety Culture on Business Performance

The regression model in Table 2 analyzing the influence of safety culture variables on SME performance yielded an  $R^2$  of 0.823, indicating that 82.3% of the variance in business performance can be explained by the safety culture variables included in the model. The adjusted  $R^2$  of 0.822 confirms the model's robustness. The F-statistic (478.215) with p-value = 0.000 shows that the overall model is statistically significant at the 1% level. The Durbin-Watson value of 2.021 indicates no serious autocorrelation in the residuals. Management Commitment to Safety ( $\beta = 0.936$ ,  $t = 10.517$ ) visible and consistent support for safety practices has a strong positive effect on business performance.

Employee Safety Training ( $\beta = 1.127$ ,  $t = 13.405$ ) is the most impactful safety culture variable in the model. Continuous training equips workers with skills to prevent accidents and operate safely, which improves productivity and reduces operational costs. 4. Safety Communication ( $\beta = 0.483$ ,  $t = 3.993$ ) The ability of SMEs to clearly communicate safety policies and procedures to all employees has a statistically significant and positive impact on business performance. Transparent safety communication leads to increased compliance and a culture of accountability.

Hazard Identification and Control ( $\beta = 0.674$ ,  $t = 5.967$ ) was also found to be significantly related to performance. SMEs that proactively assess risks can avoid costly accidents and improve operational continuity, echoing findings by Khalid & Ahmad (2022).

Employee Involvement in Safety ( $\beta = 0.038$ ,  $t = 0.844$ ) is not statistically significant in this model. Although employee participation in safety discussions and decisions is important, the data suggests it does not have a direct measurable impact on business performance in this sample. It may, however, play an indirect or moderating role.

**Table 2: Multiple Regression Analysis on the Effect of Safety Culture on Business Performance**

Variable	Symbol	Coefficient ( $\beta$ )	Std. Error	T- calculated
Constant	$\beta_0$	-12.487	38.541	-0.324
Management Commitment to Safety	$\beta_1$	0.936	0.089	10.517***
Employee Safety Training	$\beta_2$	1.127	0.084	13.405***
Safety Communication	$\beta_3$	0.483	0.121	3.993***
Hazard Identification & Control	$\beta_4$	0.674	0.113	5.967***
Employee Involvement in Safety	$\beta_5$	0.038	0.045	0.844

Source: Field Survey (2025)

\*\*\*Significant at 10% level

$R^2 = 0.823$  | Adjusted  $R^2 = 0.822$  | F-stat = 478.215 | Prob (F-stat) = 0.000 | Durbin-Watson = 2.021

Dependent Variable: Business Performance (Y)

### Discussion of Findings

This study examined how entrepreneurial orientation and safety culture influence the performance of selected SMEs in South West Nigeria. The results from the multiple regression analyses reveal significant relationships between specific entrepreneurial and safety culture dimensions and SME performance. The study found that four dimensions of entrepreneurial orientation—innovativeness, proactiveness, risk-taking, and competitive aggressiveness—have significant positive effects on business performance. However, autonomy did not show a statistically significant influence. These findings align with the work of Okafor, Chukwuma, and Adekunle (2022), who established that EO dimensions, particularly innovativeness and risk-taking, significantly boost SMEs' responsiveness to market changes and competitive pressures in Nigeria. Similarly, Eze and Aina (2020) highlighted that proactive SMEs are better positioned to anticipate market trends, which enhances customer loyalty and long-term profitability.

The strong impact of risk-taking on business performance supports the findings of Adebayo and Olamide (2021), who argued that SMEs willing to explore new market opportunities despite uncertainties tend to outperform risk-averse competitors. This is particularly relevant in the Nigerian context, where volatile economic conditions require strategic courage and bold investment. However, autonomy was found to have a negative and non-significant effect on performance. This contradicts findings from developed contexts, where decentralized decision-making often leads to creativity and fast problem-solving (Chen & Lee, 2021). The result suggests that in South West Nigeria, autonomous decisions—without structured oversight—may lead to inconsistent outcomes or inefficiencies, possibly due to a lack of managerial expertise or strategic alignment in SMEs.

On the safety culture front, management commitment to safety, employee safety training, safety communication, and hazard identification significantly contributed to improved business performance. Employee involvement in safety, while positive, was not statistically significant. The positive impact of management commitment and employee safety training corroborates the findings of Ibrahim and Adeoye (2024), who showed that strong safety leadership reduces workplace incidents and enhances productivity in Nigerian SMEs. Ogunyemi and Ibrahim (2023) similarly reported that safety training equips workers with essential skills and creates an environment of operational discipline. Safety communication was also found to be significant, consistent with Khalid and Ahmad (2022) who emphasized the importance of clear and consistent communication in promoting a culture of compliance and reducing operational risks in SMEs. Effective communication ensures that employees understand and follow safety policies, which translates into fewer disruptions and improved performance.

Hazard identification and control had a meaningful impact, echoing Obasi and Uchenna (2023), who observed that SMEs with routine hazard inspections and mitigation practices reported fewer injury-related costs and higher employee satisfaction, both of which are tied to performance gains. Although employee involvement in safety was not significant, this could be due to the top-down management style prevalent in many Nigerian SMEs, where employees may not be actively engaged in decision-making processes. As suggested by Okonkwo and Balogun (2022), workplace empowerment and participatory safety systems are still underdeveloped in many small firms in Sub-Saharan Africa.

When taken together, entrepreneurial orientation and safety culture account for a large proportion of the variance in SME performance (over 82–85%). This indicates that both strategic aggressiveness (EO) and operational stability (safety culture) are critical to sustaining SME growth in the Nigerian context. This integrated view supports the framework proposed by Chen and Lee (2021), who argued that combining EO with a strong safety culture provides a balanced approach to growth—where innovation and risk are tempered with precaution and employee well-being.

## **Conclusion**

This study examined the individual and combined effects of entrepreneurial orientation (EO) and safety culture on the business performance of selected small and medium-sized enterprises (SMEs)



in South West Nigeria. The findings revealed that key dimensions of EO—innovativeness, proactiveness, risk-taking, and competitive aggressiveness—significantly and positively influence SME performance, while autonomy showed no significant impact. Similarly, four dimensions of safety culture—management commitment, employee safety training, safety communication, and hazard identification/control—were also found to significantly enhance business performance. Employee involvement in safety, however, did not have a statistically significant effect, suggesting that employee participation in safety issues may still be underutilized in many SMEs in the region. The study concludes that combining a strong entrepreneurial orientation with a solid safety culture offers a strategic synergy that boosts SME performance. Entrepreneurial behavior helps businesses remain competitive and innovative, while safety culture ensures stability, workforce motivation, and operational efficiency. Together, these dimensions are critical for SMEs striving for sustainable growth in the challenging Nigerian business environment.

### **Recommendations**

Based on the findings, the following recommendations are offered:

SME owners and managers should cultivate a culture that encourages continuous innovation and proactive market engagement. This includes investing in new product development, identifying emerging market needs, and responding quickly to competition.

SMEs should be supported in building strategic risk management capabilities, enabling them to take bold yet informed investment and expansion decisions. Government agencies and financial institutions should provide business advisory services to enhance risk evaluation skills.

SME leadership must prioritize visible and consistent commitment to workplace safety. This includes allocating resources to safety initiatives, enforcing compliance, and integrating safety objectives into overall business strategies.

To enhance workplace performance, SMEs should provide periodic safety training for employees. This will improve hazard awareness and equip workers with the skills to operate safely and efficiently.

SMEs should implement structured communication channels that promote awareness of safety protocols and allow feedback from employees on safety-related matters. Effective communication fosters compliance and mutual responsibility.

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