

The role of competitor orientation and proactiveness in competitive advantage for small- and medium-sized enterprises performance



Authors:

Jeremiah Ayodele
Ogundare¹ 
Stephan van der Merwe¹ 

Affiliation:

¹North-West University
Business School, Faculty of
Economics and Management
Sciences, North-West
University, Potchefstroom,
South Africa

Corresponding author:

Jeremiah Ogundare,
ayogundare88@gmail.com

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Background: As small- and medium-sized enterprises (SMEs) are the primary source of job creation in Nigeria and contribute 48% of the country's gross domestic product (GDP), their performance must be enhanced and sustainability ensured. The article suggests that through competitor orientation and proactiveness, SME managers and owners can achieve competitive advantage which ultimately promotes firm performance.

Aim: The article aims to examine how competitor orientation and proactiveness in competitive advantage enhance the performance of SMEs in Nigeria.

Setting: The study focused on registered SME owners and managers who are operating in Nigeria, using Lagos State as a case study.

Methods: This study was conducted through administering questionnaires to owners and/or managers of SMEs as the unit of analysis. A quantitative research design was used with stratified and simple random sampling as the sampling method, with the sample comprising 100 SME owners and/or managers.

Results: The results of the study indicated that competitive advantage mediates the relationship between competitor orientation, proactiveness and SMEs' performance indirectly. It further revealed that competitor orientation and proactiveness have significant effects on SMEs' performance.

Conclusion and contribution: The article reveals how competitive advantage, which is influenced by competitor orientation and proactiveness, contributes to increased SMEs' performance in SME sectors. Thus, to gain a competitive edge over their rivals, the study recommends that SME owners and managers consider competitor orientation and proactiveness more seriously, as these factors ultimately boost their performance.

Keywords: competitive advantage; competitor orientation; proactiveness; SMEs' performance; small- and medium-sized enterprises.

Introduction

Business experts, practitioners, governments and international organisations are increasingly concerned about the performance of small- and medium-sized enterprises (SMEs). Aminu (2015) has shown that SMEs are crucial for economic growth in both developed and developing countries. A more open environment and increased participation in the digital revolution benefit SMEs, which play an important role in the economy and in the broader business ecosystem, allowing these enterprises to prosper and contribute to meaningful economic growth (Cusmano, Koreen & Pissareva 2018).

Small- and medium-sized enterprises account for a third to half of total private sector revenue in most countries and are the primary source of new jobs and economic activity (Aminu 2015). They play an important role in economic development, innovation and social well-being (Broughel & Thierer 2019). The contribution to gross domestic product (GDP) and job creation in Nigeria and other nations is mostly accounted for by SMEs, especially in Lagos State, which is the context within which the current research has transpired (Aminu 2015). In 2015, the former Nigerian minister of commerce, industry and investment indicated that SMEs in Nigeria have contributed to GDP highly and created new jobs in the country. In 2018, for instance, SMEs accounted for 56% of China's GDP and was responsible for 56% of India's GDP and 32% of total exports.

Furthermore, in South Africa, SMEs account for 52% GDP International Labour Organization (ILO, 2023). Thus, there is no universally accepted definition of 'SME'.

The term SMEs encompasses micro, small, medium and large enterprises (Mohammed et al. 2022). Thus, the Small and Medium Enterprise Development Agency of Nigeria and the National Bureau of Statistics (SMEDAN and NBS) classify SMEs into categories. The micro enterprises are those with asset base of not more than ₦1.5 million excluding cost of land, but including working capital and an employee of not more than 10. Furthermore, small enterprises are those with asset base of more than ₦1.5 million, but in excess of ₦50 million excluding cost of land, but including working capital and/or an employee from 11 to 100. Again, medium enterprises are those with asset base of more than ₦50 million, but not in excess of ₦200 million excluding cost of land but including working capital and/or an employee from 101 to 300 (Ibrahim & Abu 2020).

Roughly 60 million Nigerians are employed by SMEs and, according to the president of the Association of Small Business Owners (ASBON), these businesses have contributed between 48% and 50% of GDP during the previous 5 years (David et al. 2021). In Nigeria, the significant role played by the sector is clearly shown in the SMEDAN and NBS 2017 survey report documented by Akinwale (2018), which indicates that the economy is largely accounted for by SMEs as they make up close to 90% of businesses in the country. In addition, this sector accounts for 84% of the country's employment (ILO 2023). This may be the reason why stakeholders such as the Central Bank of Nigeria and other Development Institutions continue to provide interventions to boost the sector in Nigeria. However, despite these interventions, Nigerian SMEs are still behind on the path of growth as a result of massive challenges facing the sector. Among the challenges include poor electricity, bad road network, lack of access to loans, etc., may seem interrelated, but access to finance is the most critical for take-off and expansion of businesses (Ibrahim & Abu 2020).

In today's business environment, SMEs need to gain a competitive advantage in others to perform adequately (Aminu 2015). The literature asserts that focusing on a competitive advantage not only improves performance but also increases a company's ability to endure over time (Aminu 2015). Entrepreneurial and market-oriented SMEs, especially those operating in developing nations like Nigeria, must continually be competitively oriented and proactive to achieve high performance and survive within commercial rivalry (Sirajuddin, Arif & Jayadi 2017).

Furthermore, SMEs that require to be competitive within a business environment to achieve high performance must be competitively oriented and positively minded to survive in a business environment. Thus, competitor orientation is a dimension of market orientation (Ejdys 2015; Matsuno, Mentzer & Özsoy 2002) and concerns efforts taken by organisations to identify their competitors' vulnerabilities,

capabilities, chances for growth and the techniques they use to outwit their rivals (Leal-Rodríguez & Albort-Morant 2016). Proactiveness, one of the dimensions of entrepreneurial orientation (Milovanović, Primorac & Kozina 2016), also refers to a firm's ability to establish and maintain a competitive edge over its rivals and depends heavily on its ability to adopt a proactive mindset (Racela 2014).

Purpose of the study

The present article explores the link between competitor orientation, proactiveness (as independent variables) and competitive advantage (mediating variable) to establish the performance of SMEs (as dependent variable).

A limited number of studies (Talaja et al. 2017; Zeebaree & Siron 2017) have investigated the role of competitor orientation and proactiveness in competitive advantage to ultimately promote firm performance. However, little attention has been paid to this phenomenon (Byukusenge, Munene & Orobias 2016; Haider, Asad & Fatima 2017; Hussain, Rahman & Shah 2016). This study therefore aimed to contribute to the body of knowledge by focusing on one model that examines the roles of competitor orientation and proactiveness (independent variable) in competitive advantage, which is the predictor variable, for the performance of SMEs (dependent variable).

Structure of the article

Following on this introduction, the article will present the review of the literature, followed by the theoretical framework upon which the research question hinges.

The next section will be the research methods that were used to collect and analyse the data; this will be followed by a presentation and discussion of the results and how they link to the literature.

Finally, the study will present a conclusion drawn from the results and areas for possible future research.

Literature review

The section discusses the concepts of SME performance, competitive advantage, competitor orientation and proactiveness. It also reviews the relationships between competitor orientation and SME performance as well as proactiveness and SME performance. The study finally discusses the theory underpinning the study and raises hypotheses supporting the study.

Concepts of small- and medium-sized enterprises' performance

Small- and medium-sized enterprises' performance is an organisation's ability to adapt to the business environment and develop a good strategy that complements management's ability to create harmony between the environment and internal company (Zainudin & Sugiono 2016).

Organisation performance has also been explained as the capability of firm to accomplish its goals and objectives with the help of talented administration, good governance and have a constant rededication to accomplish business objectives. As far as SME performance is concerned, it can be perceived from two perspectives: judgemental performance and objective performance (Zainudin & Sugiono 2016). Tuan et al. (2016) argued that SME performance can be identified as a multidimensional concept that can be measured by three indicators: production, finance and marketing. Bamfo and Kraa (2019) concluded that firms that have more propensity to compete are the largest, with high competitive orientation and proactive minds that lead to market share. Researchers such as Bamfo and Kraa (2019) and Ordanini, Parasuraman and Rubera (2014) have indicated that judgemental measures of performance are significant to profitability, whereas objective measures of performance throw more light on profitability in most service organisations. One of the most effective strategic options available to the firm in dealing with environmental issues that affect SME performance is competitor orientation and proactiveness of the organisation (Bamfo & Kraa 2019).

Performance is seen as the desire to evaluate the extent of success an organisation has achieved, be it a large or a small organisation (Akande 2011). Businesses can be evaluated on the basis of their size, number of employees, working capital and profitability. Lately, researchers such as Tuli and Skiera (2017) and Cacciolatti and Lee (2016) have paid increasing attention to how an organisation improves performance in a business environment. However, the definition of SMEs' performance varies, as most of the researchers used the term performance to state the collection of measurement of input and output efficiency and transactional efficiency (Lopez et al., 2005). There are measures used to evaluate the performance of a business. Some used objective performance measures of return on equity (ROE), sales growth and return on asset. Bamfo and Kraa (2019) gave SMEs' performance measures of financial and non-financial dimensions of measuring performance. Financial dimensions include market share, level of debtors and return on asset (Malina & Selto, 2004). One can therefore say that the performance of firms is crucial in business activities. Akande (2011) posits that when organisations evaluate their level of performance, it will help them to know if they are progressing or not.

Concepts of competitive advantage

By creating value for consumers, as part of a business strategy, SMEs can achieve long-term viability. Put differently, a firm's competitive advantage serves as a platform for developing a long-term growth strategy and thus relates to creating value for consumers (Jones, Kato & Weinberg 2003). Competitive advantage refers to the ability of an organisation to generate profits that are higher than the industry average because of its distinct market position (Breznik 2012). Positional superiority is achieved through providing higher customer value or attaining lower relative costs in the market (Gitau & Kosgei 2016). Also, a competitive

advantage is the process where a firm is able to achieve and sustain profit that exceeds what its competitors are achieving (Christian, 2020). An organisation is able to gain a competitive advantage over its competitors by understanding its market and customers (Shodunke et al. 2020). It is a situation whereby an organisation is able to deliver the same benefits as competitors but at a lower cost (cost advantage), delivers benefits that exceed those of its competitors' products (differentiation advantage) and creates superior value for its customers (Porter 2010). Competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Al-Swidi & Mahmood 2011). Wang (2014) asserts that an organisation is able to obtain a competitive advantage by developing or acquiring a set of attributes that will help it to outperform its competitors. Competitive advantage allows a firm to create superior value for its customers and profits for itself.

Aziz and Samad (2016) in their study to examine the effect of competitive advantage on food manufacturing SMEs in Malaysia revealed that competitive advantage had a strong positive impact on SMEs. The study also found a mediating effect of competitor orientation and proactiveness on the competitive advantage relationship of SMEs. Yogyakarta (2018) carried out a study on competitive advantage with key success of Batik SMEs marketing performance in Indonesia. The study found that competitive advantage has significant effect on marketing performance. Furthermore, Majeed (2011) in his study on impact of competitive advantage on organisational performance in Pakistan found that competitive advantages significantly have association with SME performance. The study sees competitive advantage and SME performance as two special terms with an actually complex association. Also, Secluk (2016) in his study on factors affecting firm competitiveness, evidence from an emerging market, found positive significant effect of proactiveness and competitor orientation on firm competitiveness indicated by profitability and return on assets. Najib (2013) carried out a study on the internal sources of competitive advantage in small and medium Indonesian food processing companies. In the study, he examined the potential of competitor orientation and proactiveness as sources of competitive advantage in food processing SMEs. Competitive advantage in the study was represented by business performance. Business performance was operationalised as a composite variable of three measures: sales volume, profitability and market share. The findings indicate that competitor orientation and proactiveness had positive effects on competitive advantage of SMEs. The study concluded that competitor orientation and proactiveness was one of the most important factors that can be used to enhance competitive advantage of an organisation.

Concepts of competitor orientation

Recently, SMEs have faced enormous pressures stemming from the competitive nature of the economic landscape,

which necessitated the adoption of strategic options vital to success (Anning-Dorson 2021). One such strategic option is competitor orientation because of its importance in determining the scope of competitive advantage of competing SMEs (Narver & Slater 1990; O'Dwyer & Gilmore 2019). Competitor orientation has been defined as a firm orientation towards the understanding of the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors (Narver & Slater 1990), which have been used widely in the marketing literature (Newman, Prajogo & Atherton 2016). Also, according to Yulianthini et al. (2021), competitor orientation means that the company understands the short-term strengths, weaknesses, long-term capabilities and strategies of its potential competitors. This type of company has a strategy and knows how to respond to its competitors' activities. It also understands how top management responds to competitors' strategies (Blankson et al., 2013). It is important to keep an eye on your competitors' technology capabilities to see if they are able to meet the needs of the same target buyer as you are. Competitor orientation focuses on three statements: How do we know who our competition is? What kinds of technology do they have? Do buyers see them as a viable alternative to the current offerings?

Indeed, SMEs adopt a competitor-orientation perspective to simplify the competitive environment of business firms (O'Dwyer & Gilmore 2019). In this context, Al-Hakimi et al. (2023) argue how competitor orientation of competing firms can assist a firm to achieve a competitive advantage, whereas failure to recognise rivals leads to SMEs being insensible of the range and influence of the networks, competencies and experiential learning of competing SMEs, which could negatively affect their performance. Competitor orientation allows SMEs to compare information on essential abilities and resources in their competitive scenario, which facilitates competitive positioning as per marketing differentiation, complex innovation, product and/or service scope, market scope, quality, production capacity, leadership, cost control, competitive pricing and differentiated advantages (O'Dwyer & Gilmore 2019).

Previous research has shown the important relation of competitor orientation to SME performance (Gruber-Muecke & Hofer 2015; O'Dwyer & Ledwith 2010; Vaitoonkiat & Charoensukmongkol 2020). The drawn findings from these studies have indicated that competitor orientation is critical for enabling firms to monitor the competitors to increase knowledge of their plans and strategies (Hilman & Kaliappen 2014), gaining competitive advantage and providing value for customers (Danso, Poku & Agyapong 2017). This is further evidenced by the fact that competitor orientation enables firms to deal with changes in competitor strategies in a well-informed way (Lengler, Sousa & Marques 2013). However, the existing evidence is far from conclusive with a number of studies reporting negative or non-significant results (Hassen & Singh 2020; Ho et al. 2018). The inconsistent previous findings call for additional research into contingency factors that may explain under what conditions competitor

orientation influences SME performance. In other words, it is important to understand whether the relationship between competitor orientation and SME performance depends upon particular contingencies.

Relationship between competitor orientation and small- and medium-sized enterprises' performance

Competitor orientation as an aspect of market orientation is very significantly important in aiding organisations to have a clear information and understanding of the market place to develop suitable and proper products and service strategies to meet customers' needs and requirements (Bamfo & Kraa 2019). A competitive organisation guarantees a customer-focused strategy for market information and knowledge base generation which are monitored by coordinated, interfunctional marketing efforts to achieve long-term firm success. A number of researchers have reported positive relationship between competitor orientation and SME performance. Julian et al. (2014) believed that competitor orientation represents a major marketing strategy that can be adopted by business organisation to improve its performance. The contradictory results reported by previous studies suggest that the relationship between competitor orientation and performance may be more complex and the impact cannot be viewed in a simple manner (Chaudhary et al., 2023).

For businesses to be competitive, it is required of them to know the weaknesses and strengths as well as capabilities and activities of competitors. Information that is gathered about competitors helps the firm to reposition its offering so as to prepare for the future survival of the entity (Bamfo & Kraa 2019). Competitor orientation as part of market orientation is seen as an organisational strategy to improve on the products they deliver to customers. When there exists a coordinated maximisation of the firm's resources that aims at performing better in the eyes of the customer, it is seen as the organisation practicing interfunctional orientation.

The positive impact competitor orientation has on SME performance has been supported by many researchers. Narver and Slater (1990) established a positive relationship between competitor orientation and business performance for that matter profitability where a competitive organisation is predominantly concerned with learning from various forms of contact with competitors in the market (Slater & Narver 2000).

Concepts of proactiveness

When a company is proactive, it strives to gain an advantage over its competitors by introducing new products and processes to the market before its competitors do (Lyon, Lumpkin & Dess 2000). Thus, proactiveness refers to an opportunity-seeking and forward-thinking approach to business development, characterised by the introduction of new products or services before that of competitors, in anticipation of a predicted future customer demand

(Rauch et al. 2009). The ability to shape the business environment and respond to competitive problems via initiative including the use of existing advantages also falls under the category of proactiveness (Zhang, Law & Wang 2021). Furthermore, proactiveness is when a firm has the ability to think ahead, foresee, initiate a change or take a first-mover leap rather than being reactionary or defensive in its strategic posture. Proactiveness refers to an ongoing perspective where a firm actively seeks to anticipate and take advantage of opportunities to develop and introduce new products and implement changes to existing firm's strategies and tactics (Al-Mamary & Alshallaqi, 2022). It also involves the ability to detect future market trends while securing first-mover advantage in the short term and shaping the direction of the market environment in the long term (Hughes & Morgan 2007). A strong proactive behaviour gives SMEs the ability to anticipate needs in the market place and the capability to anticipate competitor's needs (Eggers et al. 2013).

Proactiveness is active to influence and lead to the future rather than waiting to be influenced by the future. It involves exploiting opportunities and accepting the responsibility of failure (Kuratko, Hornsby & Goldsby 2007). Strategic managers who manage proactively have their eyes on the future and look for opportunities to exploit for growth and improved performance and to create a competitive advantage (Onyenma & Hamilton 2020). Proactiveness helps to create competitive advantages by placing competitors in the position of having to respond to first-mover initiatives. Chang et al. (2007) postulate that a proactive firm does things ahead of their rivals rather than after. They lead in the development of new technologies, products and services as well as capacity building to enhance growth (Jalali et al., 2014). Keh, Nguyen and Hwei (2007) argue that proactive orientation enables firms to be innovative and utilises internal sharing of knowledge and information to exploit competitors' novelty. Proactiveness is done through new market and product development, where challenges face many firms in today's business environment (Onyenma & Hamilton 2020).

Relationship between proactiveness and small- and medium-sized enterprises' performance

In a study to determine the relationship between proactiveness and performance of small and medium agro-processing enterprises in Kenya, Wambogu et al. (2015) collected data by means of a self-administered, semi-structured questionnaire completed by owner and/or managers of agro-processing SMEs. Data analysis was conducted in two phases: measurement of outer model estimation and structural, inner model estimation. Based on their findings, they concluded that proactiveness is a major predictor of SME performance of agro-processing SMEs in Kenya in terms of employee growth and profitability. These findings extend empirical studies by showing that proactiveness has positive effects on SME performance.

Furthermore, Ibrahim and Abu (2020) examined the effects of proactiveness, competitive aggressiveness, autonomy,

innovation and risk-taking on the performance of Abuja-based enterprises in Nigeria through entrepreneurial orientation. As the findings were only partially explanatory, it was suggested that comparable investigations be repeated in order to verify these findings. Furthermore, Atikur et al. (2021) investigated risk-taking, innovativeness and proactiveness of SMEs in Dhaka, Bangladesh. Rendering responses from 180 SME owners, the study found that factors such as the age of the business as well as risk-taking, innovativeness and proactiveness had a significant influence on the performance of SMEs.

Theoretical framework

This study is anchored on knowledge-based view (KBV) theory which was propounded by Grant (1996) as the extension of resource-based view (RBV). The theory is important for this study because the possession of knowledge-based resources, known as intellectual capital, is essential in business environment. These resources contribute to lower costs, foster innovation and creativity, improve efficiencies and deliver customer benefits. Knowledge-based view focuses on knowledge as the most strategically important resource of a firm (Hughes et al. 2022). Kirsimarja and Aino (2015) argue that organisations perform differently as a result of the differences in their stock of knowledge and capabilities through utilising and developing knowledge. The authors further informed that organisations exist to create, transfer and transform knowledge into a competitive advantage. Knowledge is related to humans; individuals are intentional and intelligent agents and especially important elements within complex situations and structures that cannot be understood by any single individual.

The knowledge based view (KBV) suggests that SMEs with a strong knowledge base derived from competitor orientation and proactiveness are more likely to achieve a competitive advantage. The knowledge base process helps in building a comprehensive knowledge base that SMEs can use to make informed decisions and develop effective strategies. Also, the utilisation of knowledge acquired and shared by SMEs involves translating the knowledge into action by developing innovative products or services, improving operational processes or identifying new market opportunities. Therefore, the ability to effectively utilise knowledge is critical for gaining a competitive advantage. Furthermore, the knowledge base developed through competitor orientation and proactiveness provides SMEs with a foundation for achieving a competitive advantage. Thus, by leveraging their knowledge, SMEs can differentiate themselves from competitors, create unique value propositions and develop sustainable market positions.

The independent variables in this study, namely, proactiveness and competitor orientation, are often the basis used to gather information that is useful for the organisation. For competitor orientation, knowledge is generated from customers, while for proactiveness, the resources of the organisation are utilised to gather new knowledge, which can be transferred to other organisations. KBV suggests that crucial knowledge can enable organisations to enjoy high performance (Grant 1996),

while knowledge resources (competitor orientation and proactiveness) will lead to organisations being competitive. Competitiveness, in turn, will lead to organisations enjoying a sustained edge, which can be termed as high performance (Pöyhönen & Blomqvist 2006). Pöyhönen and Blomqvist (2006) assert that knowledge will lead to competitive advantage, which ultimately will lead to performance. Competitive advantage can thus act as a link between competitor orientation and SME performance on the one hand and between proactiveness and performance on the other. In tandem with KBV, both competitor orientation and proactiveness are suggested knowledge resources, as they can be utilised to generate information crucial to competitiveness.

Therefore, SMEs that actively acquire, share and utilise knowledge about their competitors and the market are more likely to achieve a competitive advantage. Competitor orientation and proactiveness play a key role in developing a strong knowledge base, which can drive SME performance and success in a competitive environment.

Framework of the study

The framework presented in Figure 1 shows the hypothesised relationship for the present study between the independent variables (competitor orientation and proactiveness) and the dependent variable (SME performance) with the predictor variable (competitive advantage).

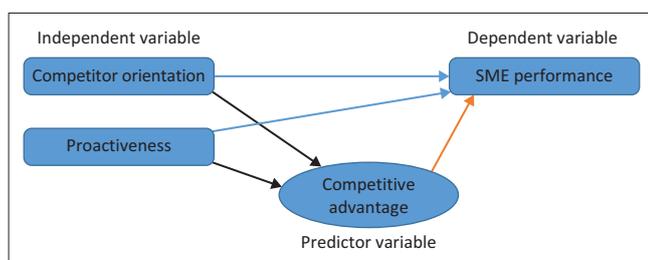
The framework is based on the literature overview and the theoretical framework that links the independent variables to the predictor variable and the dependent variable. From this, the following hypotheses were formulated:

H₁: Competitor orientation has a significant effect on SMEs' performance.

H₂: Proactiveness has a significant effect on SMEs' performance.

H₃: Competitive advantage has a significant effect on SMEs' performance.

H₄: Competitive advantage significantly influences the relationship between competitor orientation and SMEs' performance.



Source: Ogundare, J.A., 2023, 'Investigating the mediating role of competitive advantage on the market, and entrepreneurial orientation, of SMEs in Lagos State, Nigeria', Unpublished PhD Thesis, North-West University Business School, Potchefstroom Campus, South Africa SME, small- and medium-sized enterprises.

FIGURE 1: Conceptual framework of the relationship between competitor orientation, proactiveness and competitive advantage in small- and medium-sized enterprises' performance.

H₅: Competitive advantage significantly influences the relationship between proactiveness and SMEs' performance.

Research methodology

The present study focused on three important subsectors of SMEs, namely, manufacturing, service and information technology. Self-administered questionnaires were used to collect data in the 20 local government areas in Lagos State. This study is descriptive that tests the role of competitor orientation and proactiveness in competitive advantage for SMEs' performance.

Research design

The study utilised a cross-sectional survey design, which was quantitative in nature. This was considered a suitable method to generate relevant information on the current situation (Williams, Onsmann & Brown 2010).

Research approach

The study utilised a deductive research approach. The deductive approach is deemed most appropriate because the study tests the theory that competitor orientation and proactiveness increase organisational performance.

Population and sample of the study

The study population was not known when the study commenced; hence, 100 copies of questionnaires were distributed among owners and managers of SMEs in Lagos State, Nigeria, the chosen domain of the study. Stratified and simple random sampling procedures were used to distribute copies of the questionnaire to the local government districts, involving a cross section of enterprises in the three subsectors mentioned earlier, namely, manufacturing, service and information technology. Thus, the study's research strategy adopted the seven Likert-scale structured questionnaires to collect data from SME owners and managers in the three subsectors.

Data collection procedures and instrument

Data were generated utilising self-administered questionnaires. The questionnaire content was adapted from the literature, with four questions on competitor orientation derived from Narver and Slater (1990), three questions on proactiveness assembled from the work of Hughes and Morgan (2007), four items on competitive advantage adapted from Sigalas, Economou and Georgopoulos (2013), and eight questions on SME performance derived from the work of Spillan and Parnell (2006). The items used in this study explain the KBV as they focus attention on resources which can be defined as those assets that are tied semi-permanently to the firm. Unique assets are difficult for competitors to replicate and thus serve to differentiate their possessors. The present study does not suggest that competitor orientation, proactiveness, competitive advantage and SME performance independently constitute

unique resources, but rather that they can collectively contribute to the creation of unique resources. While each of these four elements is necessary, individually they are not sufficient for creating positional advantage. However, past research suggests that each element is adequate to offer strengths, and together they can help a firm be uniquely competitive.

Data analysis

The present study used partial least square structural equation modelling (PLS-SEM) on SmartPLS2 to analyse the data and followed the two-stage strategy for analysing the measurement model and the structural model separately (Urbach & Ahlemann 2010). The following main criteria and techniques were employed to estimate the outer and inner models. The first stage considered unidimensionality, reliability, convergent validity and discriminant validity, while the second stage assessed the goodness-of-fit and study hypothesis framework (Lee & Chen, 2013). The criteria to analyse the outer model were coefficient of determination (R -square, R^2), path coefficient and effect magnitude (f^2).

Ethical considerations

All participating respondents gave their consent to complete the questionnaire. All respondents were properly informed as to the completion of the questionnaire being completely voluntary, while any and all information supplied by respondents alongside the identity of each respondent were treated as strictly confidential. Ethical clearance to conduct this study was obtained from the North-West University Business School, Faculty of Economics and Management Sciences Research Ethics Committee (Ref no. NWU-00597-23-A4).

Results

To evaluate the reliability and validity of the instruments utilised for data collection, the measurement model was

TABLE 1: Construct reliability and validity (measurement model).

Construct	Items	Loadings	AVE	CR
Competitor orientation	CO1	0.80	0.70	0.90
	CO2	0.89	-	-
	CO3	0.78	-	-
	CO4	0.86	-	-
Proactiveness	PRO1	0.88	0.57	0.92
	PRO2	0.90	-	-
	PRO3	0.91	-	-
Competitive advantage	CMA1	0.80	0.70	0.91
	CMA2	0.86	-	-
	CMA3	0.88	-	-
	CMA4	0.79	-	-
SME performance	SME1	0.78	0.70	0.93
	SME2	0.81	-	-
	SME3	0.85	-	-
	SME4	0.86	-	-
	SME5	0.87	-	-
	SME6	0.82	-	-

Note: Some items were deleted due to their insufficient loadings.

AVE, average variance extracted; CR, construct reliability; CO, competitor orientation; PRO, proactiveness; CMA, competitive advantage; SME, small- and medium-sized enterprises.

developed using PLS-SEM path modelling. Table 1 illustrates the reliability and the validity of the latent variables of the study.

Table 1 demonstrates the reliability and validity of constructs of the study. Construct reliability and convergent validity of components were assessed using composite reliability and average variance extracted (AVE), as indicated by Garson (2016). Composite reliability coefficient should be ≥ 0.7 , whereas AVE coefficient should be ≥ 0.5 (Garson 2016). Item loadings should be above 0.5. Table 1 shows that all of the items satisfied the minimum benchmark for item loadings (i.e. 0.5), composite dependability (i.e. 0.7) and AVE (i.e. 0.5), thus demonstrating reliability and convergent validity. The data were subsequently subjected to discriminant validity test using Fornell-Larcker criterion. The outcome is presented in Table 2.

Average variance extracted was employed by the study to establish discriminant validity using the Fornell-Larcker criterion. For discriminant validity to exist, the square root of the AVE should be higher than its correlation with other latent variables (Garson 2016). In Table 2, the bolded figures represent the square root of the AVE of each latent component. The square roots of the AVE of each construct are higher than their correlations with other latent constructs. Based on the Fornell-Larcker criterion, the data indicated discriminant validity. Subsequently, the study hypotheses were examined by generating the structural model. The results are shown in Table 3.

It is evident from Table 3 that competitor orientation (CO) is significantly related to SMEs' performance at less than 5% ($\beta = 0.27, p < 0.05$). H1, which indicates that competition orientation has a considerable effect on SMEs' performance in Nigeria, is therefore empirically supported. Similarly, proactiveness (PRO) has a positive and significant relationship with the performance of SMEs in Nigeria at less than 1% significant level ($\beta = 0.42, p < 0.01$). Evidently, H2, which indicates that proactiveness has a considerable effect on SMEs' performance in Nigeria, is also empirically supported. Finally, and in a similar fashion, competitive advantage (CMA) does have a positive and significant relationship with

TABLE 2: Discriminant validity using Fornell-Larcker criterion.

Construct	1	2	3	4
1. Competitor orientation	0.84	-	-	-
2. Competitor advantage	0.55	0.83	-	-
3. SMEs' performance	0.62	0.54	0.83	-
4. Proactiveness	0.63	0.56	0.68	0.90

Note: The bolded numbers represent the square root of the AVE of each latent construct. AVE, average variance extracted.

TABLE 3: Direct path coefficient.

Relationship	Beta coefficient	SE	T statistics	P	Decision
CO -> SME	0.27	0.11	2.509	0.01	Supported
PRO -> SME	0.42	0.12	3.441	0.00	Supported
CMA -> SME	0.39	0.13	2.955	0.00	Supported

CO, competitor orientation; PRO, proactiveness; CMA, competitive advantage; SME, small- and medium-sized enterprises; SE, standard error.

the performance of SMEs in Nigeria at less than 1% significant level ($\beta = 0.39, p < 0.01$). Therefore, H3, which claims that competitive advantage has a considerable effect on SMEs' performance in Nigeria, is supported empirically. Next, the study examined the mediating influence of competitive advantage in the relationship between competitor orientation, proactiveness and SMEs' performance. The outcome of the data analysis is provided in Table 4.

Table 4 presents the results of the analysis of the mediating influence of competitive advantage on the relationship between competitor orientation, proactiveness and SMEs' performance. From Table 4, it can be determined that CMA positively and significantly mediates the relationship between competitor orientation (CO) and SMEs' performance (SME) ($\beta = 0.27, p < 0.01$) at less than 1% significant level. This suggests an indirect relationship between competitor orientation and SMEs' performance that is accounted for by competitive advantage. Thus, H4, which claims that there is a substantial association between competitive advantage and competitor orientation and SMEs performance in Nigeria, is supported empirically.

Table 4 further shows that CMA positively and significantly mediates the relationship between proactiveness (PRO) and SMEs' performance (SME) ($\beta = 0.19, p < 0.05$) at less than 5% significant level; hence, it can be claimed that proactiveness in the case of SMEs positively and significantly leads to competitive advantage, while competitive advantage positively and significantly leads to improved SMEs' performance. Therefore, this study empirically validates H5, which argues that there is a substantial relationship between competitive advantage, proactiveness and SMEs' performance in Nigeria.

Table 5 illuminates the variance in performance of SMEs in Nigeria resulting from competitor orientation, proactiveness and competitive advantage.

Together, competitor orientation, proactiveness and competitive advantage account for 52% variance in the performance of SMEs in Nigeria, while competitor orientation and proactiveness account for 36% variance in the competitive advantage of SMEs in Nigeria.

The effect size of each path in the whole structural equation model was investigated using f^2 . The results are presented in Table 6.

TABLE 4: Indirect path coefficient.

Relationship	Beta	SE	T statistics	P	Decision
CO -> CMA -> SME	0.27	0.09	2.936	0.00	Supported
PRO -> CMA -> SME	0.19	0.09	2.132	0.03	Supported

CO, competitor orientation; PRO, proactiveness; CMA, competitive advantage; SME, small- and medium-sized enterprises; SE, standard error.

TABLE 5: R-square.

Construct	R-squared
SME performance	0.52
Competitive advantage	0.36

SME, small- and medium-sized enterprises.

According to Cohen (1988), f^2 values of 0.02, 0.15 and 0.35 represent small, medium and large impacts, respectively. When the effect size of the exogenous variables on the endogenous variable of this study was tested, the results showed that the effect size of competitor orientation on SMEs' performance was 0.09, suggesting that it has a small effect size on SMEs' performance. On the other hand, proactiveness had a f^2 value of 0.20, indicating that proactiveness has a medium effect on SMEs' performance. Finally, and similarly to proactiveness, competitive advantage had a f^2 value of 0.19, demonstrating that competitive advantage has a medium effect size on SMEs' performance in Nigeria.

Finally, Table 7 is utilised to show the summary of the test of hypotheses of the study.

From the results presented in Table 7, it is apparent that competitor orientation has a positive and substantial effect on the performance of SMEs in Nigeria ($\beta = 0.27, p < 0.05$); hence, an increase in competitor orientation will lead to a corresponding increase in the performance of SMEs in this country. Similarly, it can be derived from Table 7 that proactiveness is a positive and significant predictor on the performance of SMEs in Nigeria ($\beta = 0.42, p < 0.01$). Thus, a rise in proactiveness attitude will lead to a comparable increase in the performance of SMEs in the country. Moreover, competitive advantage is positively and significantly associated with the performance of SMEs in Nigeria ($\beta = 0.39, p < 0.01$). Consequently, growth in competitive advantage will lead to an increase in the performance of SMEs. It is also evident from Table 7 that competitive advantage has a mediating effect on the relationship between competitor orientation and SMEs' performance ($\beta = 0.27, p < 0.01$). Finally, it is evident from Table 7 that competitive advantage significantly mediates the relationship between proactiveness and SMEs' performance ($\beta = 0.19, p < 0.05$). Therefore, it may be claimed that proactiveness by a firm leads to higher competitive advantage and ultimately stronger SMEs' performance.

Discussion of results

The findings and discussion of this study were carried out based on the hypotheses supporting the study. Thus, the result of the study reveals the importance of competitive

TABLE 6: Effect size of exogenous variables.

Construct	f^2	Firm performance
Competitor orientation	0.09	Small
Proactiveness	0.20	Medium
Competitive advantage	0.19	Medium

NA, not applicable.

TABLE 7: Summary of the test of hypotheses.

Hypotheses	Relationship	Beta	T statistics	Decision
H ₁	CO -> SME	0.27	2.509	Supported
H ₂	PRO -> SME	0.42	3.441	Supported
H ₃	CMA -> SME	0.39	2.995	Supported
H ₄	CO -> CMA -> SME	0.27	2.936	Supported
H ₅	PRO -> CMA -> SME	0.19	2.132	Supported

CO, competitor orientation; PRO, proactiveness; CMA, competitive advantage; SME, small- and medium-sized enterprises.

advantage to SMEs and how competitor and proactiveness help SMEs owners and/or managers to have a competitive edge over their rivals (Racela 2014).

Competitor orientation was found to have a significant impact on the performance of SMEs. When an organisation monitors its competitors to increase knowledge of their plans and strategies, gaining competitive advantage and providing value for its customers, that organisation is said to be performing efficiently (O'Dwyer & Gilmore 2019; Yulianthini et al. 2021). Thus, by staying informed and responsive to the competitive landscape, SMEs can change their strategies and increase their chances of achieving sustainable growth and success in a well-informed way. Therefore, based on the findings of this study, hypothesis HO₁ of the study is achieved, which states that competitor orientation has a significant effect on the performance of SMEs. The study supports the findings of Danso et al. (2017), Hilman and Kaliappen (2014) and Vaitoonkiat and Charoensukmongkol (2020).

Proactiveness has a significant impact on the performance of SMEs as revealed by the study findings. Proactiveness plays a crucial role in determining the performance of SMEs by seizing opportunities, gaining a first-mover advantage, adapting to change, fostering innovation, mitigating risks, enhancing customer focus, gaining a competitive edge, optimising resource allocation, building resilience and improving SME reputation (Onyenma & Hamilton 2020; Zhang, Law & Wang 2021). Thus, a proactive approach is vital for SMEs to achieve sustained growth, success and long-term profitability in a dynamic and competitive business landscape. Therefore, based on the findings of this study, hypothesis HO₂ of the study is thereby achieved, which states that proactiveness has a significant effect on SMEs' performance. The present study supports the findings of Atikur et al. (2021) and Wambogu et al. (2015).

Furthermore, the study showed that competitive advantage does affect the performance of SMEs (Al-Swidi & Mahmood 2011). Competitive advantage significantly affects SMEs' performance by driving differentiation, market share expansion, improved pricing power, cost efficiency, sustainability, innovation and attractiveness to investors (Shodunke et al. 2020). Small- and medium-sized enterprises that can identify, nurture and leverage their competitive advantages are more likely to achieve long-term success and outperform their competitors. Thus, based on the findings of the study, hypothesis HO₃ of the study is therefore achieved which states that competitive advantage has a significant effect on SMEs' performance. The study supports the findings of Aziz and Samad (2016), Majeed (2011) and Yogyakarta (2018).

Finally, the study also showed that competitive advantage mediates the relationship between competitor orientation, proactiveness and performance of SMEs (Gitau & Kosgei 2016; Shodunke et al. 2020). Thus, creating value for consumers as part of a business strategy can make SMEs achieve long-term viability, growth, and sustain profit that exceeds what the competitors are achieving (Wang 2014).

Therefore, based on the findings of the study, hypotheses HO₄ and HO₅ of the study are achieved, which state that competitive advantage significantly influences the relationship between competitor orientation, proactiveness and performance of SMEs. The study supports the findings of Aziz and Samad (2016), Najib (2013) and Secluk (2016).

Limitations

The article only focuses on the SME sector as a starting source within a particular context. A dynamic survey to examine the relationship between competitive advantage and competitor orientation, proactiveness and SMEs' performance in other sectors such as large enterprise and insurance, among others, could assist to further substantiate the conclusions from the present study.

Recommendation

The study therefore reveals that SME owners and/or managers have to take competitor orientation and proactiveness more seriously as it may enhance their performance in attaining a competitive edge over their rivals. The study makes a practical contribution by linking the independent variables, the dependent variable and the predictor variable in a single model, therefore adding to the body of knowledge. Furthermore, it explains how KBV illustrates the linkage between competitive advantage, competitor orientation and proactiveness, which ultimately leads to firm performance.

Conclusion

Previous research primarily neglected the competitive advantage phenomenon and failed to explore the direct relationship between competitor orientation and proactiveness (the independent variables in the present study) and SMEs' performance (the dependent variable in this study). This is despite the fact that competitive advantage is considered a mediating variable in the relationship between competitor orientation, proactiveness and SMEs' performance. Based on empirical evidence within a Nigerian context, the study indicated that competitive advantage mediates the connection between competitor orientation, proactiveness and SMEs' performance.

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Competing interests

The authors have declared that no competing interest exists.

Authors' contributions

J.A.O. is the principal author of this article. The author carried out the conceptualisations of the variables as well as the

methodology and the original draft preparation of the study. Also, the analysis of the study was carried out by the author. S.v.d.M. is the supervisor/co-author of the study and provided conceptual input and guidance in the structuring and writing of the manuscript.

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Data availability

The authors affirm that the data supporting the findings of this study are available within the study.

Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

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