



STRATEGIC ORIENTATION AND FIRM PERFORMANCE; MEDIATING ROLE OF ENTERPRISE RISK MANAGEMENT AND MODERATION EFFECT OF ENVIRONMENT

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ABSTRACT

The current research aims to assess the effect of strategic orientation on firms' performance in Nigerian SMEs. Simultaneously, it evaluates the mediating influence of enterprise risk management and the moderating role of the environment. Respondents' questionnaires were distributed to 285 SMEs in Nigeria's North East region, with 270 questionnaires returned and 262 usable once all data preparation processes were completed. The hypothesis of the study was tested using Smart PLS 3.2.8. Findings of the study revealed that the link between strategic orientation and firm performance was influenced by the significant but complementary partial mediation influence of Enterprise risk management. In addition, the environment moderates the link between strategic direction and company performance negatively. Path coefficient directions of those of the tested hypotheses were not aligned. The study's limitations have been carefully highlighted throughout the corpus of work. However, one of the study's shortcomings is that it was limited to Nigeria's North-East area. To improve firm performance, managers of organizations must have a thorough understanding of strategic orientation and risk management to match a variety of environments. The study reveals that the holistic application of strategic orientation is important in achieving optimum firm performance. Because of its importance, managers should pay attention to ERM. This paper advanced holistic strategic orientation and integrated enterprise risk management from the perspective of small and medium enterprises in Nigeria.

Keywords: Enterprise risk management, Environment; firm performance; strategic orientation, SMEs.



1. INTRODUCTION

Because of global rivalry among organizations and a lack of traditional managerial practices, strategic orientation is becoming more important. In the strategic management literature, strategy orientation and related classifications are integral critical descriptions of organizations (Bérard & Claveau, 2017; Brustbauer, 2016; Nair, Rustambekov, McShane, & Fainshmidt, 2014). Firm-related risk issues, as well as the dynamic environment in which they operate, are becoming increasingly significant. Strategic orientation is seen as an influential driver to predict the firm's performance (Reniguntla & Dhiman, 2021; Jermias, 2022). As a result, strategic orientation is the strength of firm thought that is intimately tied to the strategic management and strategic decision-making processes of an organization (Grimmer, Miles, Byrom, & Grimmer, 2017). The actions and tactics that SMEs display to mitigate risk and carry out businesses in an indeterminate setting to achieve improved performance serve as the foundation for the fusion of three forms of strategic orientation (SO), including market orientation (MO), entrepreneurial orientation (EO), and interaction orientation [IO] (Obeidat, 2016). Therefore, SO seeks to understand consumer behavior and the steps to manufacture products and services ahead of the competition to achieve high performance (Hakala, 2011; Ibarra-Cisneros, Demuner-Flores & Hernandez-Perlines, 2021). In this study, firm performance is measured with the financial and non-financial performance of SMEs.

According to Gordon, Loeb, & Tseng, 2009, Enterprise Risk Management (ERM) is the most contemporary organizational approach to risk management. It is not a separate viewpoint from the organization's definite movements and procedures. (Woon *et al.*, 2011). ERM evaluates job administration daily as well as a portion of all critical organizational activities and Procedures for strategy planning, project management, and change management are just a few examples (Soltanizadeh, *et al.*, 2016). The ability of a firm to balance high-risk projects and brave leadership preferences with meticulous actions to realize the firm's performance is referred to as ERM (Bérard & Claveau, 2017; Brustbauer, 2016; Nair *et al.*, 2014). Liebenberg & Hoyt, (2003) indicates that ERM aids in decision-making and organizational planning, as well as the identification of opportunities and threats, as well as working efficiency and competence to be successful in an uncertain environment.



The problems faced by SMEs in Nigeria are characterized by a less-than-dynamic business environment. Despite this, some businesses working in the same environment continue to achieve significant levels of success, development, and survival (Jermias, Fu, Fu, & Chen 2022), it is most likely due to their strategic decisions to implement new business strategies. For a firm to succeed in an uncertain environment will display a variety of attitudes, behaviors, approaches, and competencies, as well as adapt its management styles to fit the varied scenarios (Mohammad, 2019). To succeed, organizations in dynamic environments must demonstrate important, unique, and sustainable resources such as innovativeness, proactive prowess, and risk-taking talents. They may easily achieve this by altering their managerial techniques.

Several studies have demonstrated that SO improves the performance of businesses (Adomako, 2018; Alvarez-Torres, Lopez-Torres, & Schiuma, 2019; Kreiser, Anderson, Kuratko & Marino, 2019). However, there are exceptions, as certain research (Frank, Kessler, & Fink, 2010) found that SO does not always convert into high performance in businesses. With the mixed results, the association between SO and firm performance calls for more investigations. Similarly, few studies explore that firms in prospector orientation strategy are more externally oriented and manage their environment (Reniguntla & Dhiman, 2021; O'Regan & Ghobadian, 2006). This means that some elements inside the environment in which these organizations operate (internal, external, or both) may be impacting this relationship. Firms that operate in a generous environment with a lot of support will see a greater impact from SO than those that operate in a less dynamic setting with a lot of issues and stress (Gupta & Batra, 2015; Martin & Rialp, 2013; Tajeddini & Mueller, 2018; Zahra & Garvis, 2000). This paradigm is based on the concepts of contingency theory, which claims that less rigid structures stimulate entrepreneurial processes more effectively than more strict systems (Tsering, 2015). Crucially firm performance is the primary goal of every company, and it is Companies that have a strategy and environment alignment outperform those that don't (Beal, 2000; Reniguntla & Dhiman, 2021). Therefore, empirically, examines moderating effect of the environment between strategic orientation and firm performance.

Moreover, there is evidence that studies on SO and firm performance have been conducted as a single construct (Ramani & Kumar, 2008; Soltanizadeh, *et al.*, 2016). This is an indication that the impact of combining the three elements of SO on ERM



and performance in SMEs has received little attention. Similarly, prior works of literature have indicated that studies on strategic orientation are mostly from developed countries (Cano, Carillat, & Jaramillo, 2004; Hakala, 2011; Ibarra-Cisneros, Demuner-Flores & Hernandez-Perlines, 2020; Reniguntla & Dhiman, 2021) with little focus to developing country like Nigeria and this cannot be easily generalized because firms with the same strategic approach can behave different business environment, customer preferences, and managerial expertise (O'Regan & Ghobadian, 2005). Therefore, the current study is fixated on small and medium enterprises from Nigeria. As a result, this research investigates the impact of SO on firm performance in Nigerian SMEs, as well as, the influence of risk management and the moderating influence of the environment. The next sections of this study are a literature review, the formation of hypotheses, the presentation of the research technique, and a discussion of the results. Finally, research implications and findings are provided.

This research is pertinent because it raised the consciousness of the need of recognising and considering conjunction variables when assessing the SO-firm performance link. It will serve as a springboard for further investigation of SO in Nigeria's emergent markets. It has also added to the body of knowledge on SO in a variety of ways. First, previous empirical research has fixated on a single type of SO, this study examines three different types of SO on SMEs' performance, such as MO, EO, and IO. Second, it investigates the impact of ERM on SME performance. Four, it considers the impact of the environment on the performance of small and medium-sized businesses. Fifth, the study looks into the role of ERM in moderating the link between strategic direction and firm performance. Sixth, it adds to the limited research on the influence of SO on the performance of Nigerian SMEs.

2. LITERATURE REVIEW AND HYPOTHESES

Strategic Orientation

Strategic orientation can be defined as a succession of processes, activities, and leadership practices that facilitate firms to have a positive performance and strengthen them over the years, satisfying the client's needs (Hakala, 2010). Explanations for its scope and applications differ depending on if SO is based upon the resource-based view or the industrial organization theory (Zhang Jiang & Zhu,



2015). According to Brustbauer (2016), Reniguntla and Dhiman (2021) strategic orientation is defined as a pattern in a stream of decisions (past or intended) that guides the organization's ongoing alignment with its environment and shapes internal policies and procedures. Strategic orientation sets the direction for organizations through consideration of environmental factors to achieve organizational goals and objectives. O'Regan and Ghobadian (2005) pointed out that SO is the prime reason to comprehend activities embarks on by the organization to achieve organizational goals and objectives.

In this study, the researcher considers strategic orientation from three dimensions of use by SMEs (EO, MO, and IO). According to Ibarra-Cisneros, Demuner-Flores, and Hernandez-Perlines (2020) MO is defined as the use of strategies to identify the client's present and future needs and generate the conditions to satisfy them. Other scholars have defined market orientation as sourcing and utilization of information to develop and implement strategic marketing activities to meet customers' needs and want (Chiou & chang, 2009; Woodall & Swailes, 2009). The two definitions point to the ability of an organization to use the information and draw strategic marketing plans. Therefore, marketing orientation can be referred to as strategic steps taken by organizations to scan for information internally and externally for marketing plans and action to provide the needs and wants of customers. With these definitions, marketing orientation is part of strategic orientation. EO is defined as the firm's capacity to perform any activity that promotes innovation, assuming risks and executing actions for the first time (Ibarra-Cisneros, Demuner-Flores & Hernandez-Perlines, 2020). According to Chiou and chang (2009), IO is the involvement of customers on the individual level to understand how best firms can serve them and, subsequently, reflects on firm performance.

Enterprise Risk Management

Wu and Olson (2009) described the risk as unknown changes which influence the future value of the system. Risk management involves activities such as hedging and corporate insurance which could reduce financial distress, bankruptcy costs, conflict of interest between managers and shareholders, and the cost of regulatory scrutiny and expected taxes, (Hoyt, & Liebenberg, 2011). Enterprise Risk Management (ERM) aims to recognize, measure, prioritize, and monitor all threats and opportunities the firm faces (Brustbauer, 2016). According to Liebenberg and Hoyt (2003) conventional risk management approach



involves disaggregated techniques to approach different types of risk in different departments of an organization. ERM is a set of activities that assist companies in obtaining their goals and being accountable to their stakeholders. ERM is a top-down approach that considers identifying, assessing, and responding to strategic, operational, and financial risks (Harner, 2010). ERM was initiated to tackle the shortcomings of traditional risk management such as overlapping and excessive costs due to separately investigating and insuring risk (Reniguntla & Dhiman, 2021)). Therefore, due to the complexity of the business environment, a more integrated and centralized approach to risk management is needed to efficiently identify and respond to various risks faced by organizations.

Environment

Environment as an institution assumes that an organization needs to reproduce or copy the system-wide social facts of the environment in which it operates (Jermias, Fu, Fu, & Chen, 2022). The environment can be defined as the combination of internal and external factors that influence a company's operating situation (Okechukwu & Okoronkwo, 2018). The environment can include factors such as clients and suppliers; its competition and owners; improvement in technology laws and government activities; markets, and social and economic trends. Bstieler (2005) regards the business environment as external forces, factors, and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government, and social, political, legal, and technological factors. Environmental factors are related to the environment of organizations concerning customers, government, competitors, and suppliers (Kwabena, Mei, Ghumro, Li & Erusalkina, 2021). Therefore, the environment may affect a firm's performance by moderating the effects of the strategic orientation.

Firm Performance

There is no clear clarification to define firm performance in SMEs (Reniguntla & Dhiman, 2021). Firm performance is a result that is shown through a comparison between targets and achievements by a business unit within a certain period (Sumiati, 2020). Measurement of a company's performance can be measured through two dimensions, namely the financial dimension and the non-financial dimension (Urban, & Sefalafala, 2015). The conceptualization of performance is still in debate in



academic research and lacks an achievable definition. As quoted by Farooq (2018), "If you can measure the performance that means you can manage the business, performance measurement and management are the two sides of the same coin (Reniguntla & Dhiman, 2021). The organizational performance comprises the actual output of an organization as measured against its intended outputs which encompass three specific areas of firm outcomes: financial performance (profit, return on assets, and return on investment); product market performance; and shareholder return (total shareholder return and economic value added (Soltanizadeh, *et al.*, 2016).

Strategic Orientation and Firm Performance

Firm performance is defined as a significant point for attaining the organization's aims and purposes. (Folan & Browne, 2005). It is the construction and policymaking processes that are influenced by the external environment due to its concentration and unpredictability (May, Stewart & Sweo 2000; Agrawal, 2016). Firm performance has served as a compass for organizational activity (Jin, Jung, & Jeong 2018). Chahal, Dangwal, and Raina (2016) found high performance between market orientation and firm performance. Similarly, Matear, Osborne, Garrett, and Gray, (2002), and Prifti and Alimehmeti (2017) found that market orientation affects firm performance positively. Many other scholars attributed market orientation and firm performance to positive relationships (Aloulou, 2019; Kocak, Carsrud & Oflazoglu, 2017; Dabrowski, Brzozowska-Wo_s, Goła_b-Andrzejak, & Firgolska, (2019; Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018; Tahir, Pasda, & Widhi, 2018) points out that SO positively associates with firm performance. The interface of IO, as one of the SO components that limit service in terms of customer and market interactivity-focused that SMEs function in lately, is one of the strategic orientation components that SMEs operate in (Ramani & Kumar, 2008). Anning-Dorson, Hinson, Amidu, and Nyamekye, (2018) reported that ideas from customers through involvement leads to firms' financial and non-financial performance.

However, this goal cannot always be empirically demonstrated. Some studies fail to verify such a relation (Hilal, 2019; Ho, Nguyen, Adhikari, Miles & Bonney, 2018; Hussain, Wali, & Fayaz 2016; Kocak *et al.*, 2017). Nasir, Al Mamun, and Breen (2017) uphold that IO does not have a substantial impact on firm performance. As a result of the incongruity, it is essential to investigate further the construct of IO. Therefore, it is hypothesized that;



H₁: strategic orientation will have a substantial influence on firm performance.

Strategic Orientation and Enterprise Risk Management

Previous studies (Frigo & Læssøe, 2012; Soltanizadeh, 2016) affirmed that strategic orientation is sufficiently affiliated with ERM. The risk management system has emerged as a vital part of the management control system (Reniguntla & Dhiman, 2021). It plays a significant role in implementing and formulating business strategy by scanning its internal and external environment (Peljhan, Miloš Sprčić & Marc, 2018). First are studies that studied the relationship between risk management and strategic orientation by proposing contingency theory propositions, suggesting that companies which are more developed risk management systems develop the operational efficiency of the firms than less formalized firms (Silva., Wu & Ojiako, 2013; Slagmulder & Devoldere, 2018; Smit, 2012; Yang, Ishtiaq & Anwar, 2018). Brustbauer (2016) noted that an active risk management system "supports small business entrepreneurs in seeking strategic advantages, therefore increasing the competitiveness and business success of their firms". Moreover, it also opens the windows for the opportunity and enhances the firm's survival in terms of increasing stakeholder capital (Agrawal, 2016).

According to Harner (2010), although ERM design and implementation is specific for firms and is different from one firm to another, it starts with the firm having strategies and objectives mapping. This map helps managers and chief risk officers to identify risks related to their strategies and objectives. According to Frigio and Anderson (2012) for many companies this focus on risk management was new and they argued the right place to start is to identify and manage the company's strategic risks; the risks that have the most impact on an organization's ability to execute its strategy and achieve its objectives. Therefore, it is hypothesized that;

H₂: SO, will have a substantial influence on ERM.

Enterprise Risk Management and Firm Performance

Recent studies suggested that for an organization right place to start risk management is to identify and manage the company's strategic risks; the risks that have the most impact on the organization's ability to execute its strategy and achieve its objectives (Anwar & Hasnu, 2016; Henschel, 2010; Henschel & Durst, 2016; Soltanizadeh *et*



al., 2016). As Brustbauer (2016) suggested, the entrepreneur's view of risk has changed shifted from an individual perspective to a holistic risk perspective and evolved as "Enterprise risk management". The objectives of the firm risk management system should be practical, first: if it's connected with company strategy, second: is designed by keeping a view on company strategic objectives, and third: the primary objective must be assured that the company must achieve its firm objectives (Frigo & Anderson, 2012). At the same time, ERM influences the firm's performance (Brustbauer, 2016; Peljhan *et al.*, 2018; Yang *et al.*, 2018). According to Chan, Mo, & Moon, (2018), Gordon *et al.* (2009), Soltanizadeh *et al.* (2016), "Contingency theory proposed that organizational performance is not the result of using ERM, but it is dependent upon the match between ERM and the contextual factors". Moreover, the integration of business development strategy and firm or organizational risk management strategy should be associated logically. This is where the strategic risk management concept is relevant. Ittner and Oyon (2020) found that companies with more sophisticated ERM are better prepared when facing major risk events and show a stronger competitive position. Thus, it is proposed that:

H₃: ERM has a substantial influence on firm performance.

Environmental Factors and Firm Performance

Understanding of environmental knowledge and timely and right application help in strengthening organizational strategy and performance (Gosenpud & Vanevenhoven, 2011) Because senior management has the power to establish effective plans, the environment in which a company operates has an impact on its performance (Chadamoyo & Dumbu, 2012). Managers may work in a dynamic environment that is unclear and inaccessible, with few options and no clear way of determining how to choose among options (Ball *et al.*, 2010). Therefore, managers need to be conversant and have complete knowledge of the environment they operate. There has been previous research on the impact of the environment on corporate performance (Mohammad, 2019; Nandakumar, Ghobadian, & O'Regan, 2010) that explained the strong association between strategic orientation and the environment. A company's great performance is mostly dependent on a strategy that is tailored to its environment (Peljhan *et al.*, 2018). Environmental factors play a significant role in a company's strategic orientation (Escribá-Esteve *et al.*, 2009; Nandakumar, *et al.*, 2010). In Nigeria, few researchers have looked into the relationship between the



environment and company performance (Mohammad, 2019). In an attempt to explain this impact, the researcher devised Hypothesis H4 as.

H4. Environment has a substantial influence on firm performance.

Mediating Effect of ERM Between SO and Firm Performance

A slew of previous studies (Brustbauer, 2016; Croteau & Bergeron, 2001; Peljhan *et al.*, 2018; Shirokova & Shatalov, 2010) looked into the relationship between SO and firm performance, as well as how the outcome influences other organization plans and practices. Because risk management and strategic direction have an impact on firm performance, understanding these concepts is critical (Cescon, Costantini & Rossi 2013). Execution of ERM has an impact on organizational performance (Hoyt & Liebenberg, 2011). As a result, the strategy might have an indirect impact on organizational performance via implementing risk management. This indirect effect is consistent with the contingency theory's mediation kind of fit (Cadez & Guilding, 2008). According to this idea, organizational success is unlikely to be a result of risk management because it is based on the relationship between risk management and contextual circumstances (Gordon *et al.*, 2009). The suitable connection between strategy and risk management execution improved business performance, according to the mediation kind of fit. As a result, enterprise risk management was postulated as a crucial mediating factor in the association between SO and company performance. Therefore, this research articulates hypothesis 5 as;

H5: ERM mediates between strategic and firm performance

Environment Moderates Between SO and Firm Performance

Strategic research proposes that firm strategy is influenced by perceived environmental uncertainty (Reniguntla & Dhiman, 2021). For a long time, the environment has been employed as a moderator of entrepreneurial and market orientation (Ferreira &, 2016). Escribá-Esteve, Sánchez-Peinado and Sánchez-Peinado (2009) pointed out that the market/environment helps firms to understand the dynamism in which they operate. The impact of environmental instability on entrepreneurial orientation has received little attention in the literature. Environmental turbulence can serve as a moderator for SO (Pulendran, Speed & Widing, 2000; Harris, 2001). It acts as a trade-off between a firm internal and



external environment and is supported by contingency theory (Gordon, Loeb & Tseng 2009). Environmental uncertainty has influenced the firm's new product launch decisions and new market entry decisions in major. Further, firms are adopting a conservative strategic posture in benign environments, relying on existing customers, and emphasizing product refinement (Bstieler, 2005; Calantone *et al.*, 2003; Escribá-Esteve *et al.*, 2009). On the other hand, few studies explore that firms in prospector orientation strategy are more externally oriented and manage their external environment with their organizational flexibility (O'Regan & Ghobadian, 2006). Accordingly, this research hypothesized that:

H₆: - environmental moderates between SO and firm performance

3. METHODOLOGY

Research Design

This research model is intended for data collection and analysis. Therefore, to obtain the data at one point, a Cross-sectional design was employed. Correlation and regression research designs were utilized to ascertain the association between the constructs.

The Population and Sampling for the Study

The study obtained primary data through quantitative methods and survey questionnaires. The surveys were sent among SMEs in Nigeria's North-East through research agents hired by the researcher. Consumer items, hotels/restaurants, industrial products, trading and services, private schools, and constructions were the six SMEs centered in the Northeast. All SMEs in Nigeria's North-East were chosen using a stratified sampling process. To ensure high participation, the targeted organizations were reminded by telephone calls before the time of questionnaire distribution. Questionnaires were distributed to one hundred and eighty-five (185) executives and one hundred (100) management-level employees of SMEs. From 285 distributed questionnaires, 262 appropriate responses were gathered signifying an eighty-five percent response rate.



Design Questionnaire and Variable Measurement

There are four sections to the questionnaire. The first section contains questions on SO (independent variable) that were adapted from (Ibarra-Cisneros, Demuner-Flores & Hernandez-Perlines, 2020). In the second section, the risk management questionnaire items (mediating variable) were adapted from Beasley, Pagach, & Warr, 2008; Soltanizadeh, *et al.*, 2016; Subramaniam, Collier, Phang, & Burke 2011. Section three questions were derived from (Miles, Covin & Heeley, 2014) to analyze environmental factors (moderating variable), while section four questions to assess firm performance (Dependent Variable) were adapted from the work of (Miles, Covin, & Heeley, 2014, Mia & Clarke 1999; Subramaniam, *et al.*, 2011). All of the survey items are five-point Likert scales, which are commonly used to analyze interval data.

4. RESULTS AND DISCUSSION

Results

The data were coded through SPSS 21 (IBM, 2012) and the data were analyzed using Partial Least Square (PLS 3.0). PLS was carried out in two steps, according to Hair *et al.* (2014). The measuring approach was used to examine the links between indicators and constructs in Stage 1. (Outer model). In addition, the structural model (inner model) is used in the second stage, which explores links between constructs.

The scale's reliability and validity were assessed using measurement model estimations to achieve an acceptable result. According to Hair *et al.*, (2014), composite reliability is better for PLS because it shows the reliability of each item. Table 1 displays the results of the PLS algorithm analysis, which demonstrate reliability of greater than 0.7, indicating that each construct is internally stable and the model is reliable. Convergent validity was investigated to avoid severe correlation across construct variables, and it was discovered to be in order, as evidenced by the average variance extracted (AVE) being more than 0.5.

Table 1
Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Extracted (AVE)	Variance
ENVF	0.778	0.779	0.849		0.529
ERM	0.706	0.720	0.819		0.532
FMP	0.846	0.849	0.884		0.521
STGO	0.773	0.780	0.855		0.597

Source: Author's Analysis 2022

One method of determining construct validity is to use discriminant validity or divergent validity. The difference in the study's construct is expressed via discriminant validity. The study's constructs were assessed for discriminant validity and cross-loading, and no evidence of leading cross-loading was discovered.

Table 2
Discriminant Validity

	ENVF	ERM	FMP	STGO
ENVF	0.728			
ERM	0.692	0.730		
FMP	0.770	0.731	0.722	
STGO	0.684	0.662	0.682	0.773

Source: Author's Analysis 2022.

The VIF (variance inflation factor) was calculated to verify that the predictors were collinear. The tolerated cut-off for VIF readings is 10. To ensure that the predictors were collinear, the VIF (variance inflation factor) was calculated. The tolerated cutoff for VIF readings is 10.

Table 3
Collinearity Statistics (VIF)

	VIF
ENVF1_1	1.543
ENVF2_1	1.599
ENVF3_1	1.446
ENVF4_1	1.450
ENVF5_1	1.398



ERM1_1	1.392
ERM2_1	1.297
ERM3_1	1.472
ERM5_1	1.258
FMP1_1	1.803
FMP2_1	1.607
FMP3_1	1.944
FMP4_1	1.615
FMP5_1	1.586
FMP6_1	1.478
FMP7_1	1.405
STGO1_1	1.793
STGO2_1	1.463
STGO3_1	1.590
STGO6_1	1.347

Source: Author's analysis 2022

After determining the measuring model's standard, the study's hypotheses were tested using an algorithm. The R-squared, standardized regression weight, factor loadings, and positive or negative effects are all indicated by the PLS method. The R-squared is represented by the values in the circles. The percentage of variance explained by independent variables is known as R-squared. Strategic orientation is positively associated with ERM, implying that these independent factors have a positive relationship with ERM. Firm and ERM Because performance and enterprise risk management are linked, enterprise risk management has a substantial impact on business performance.

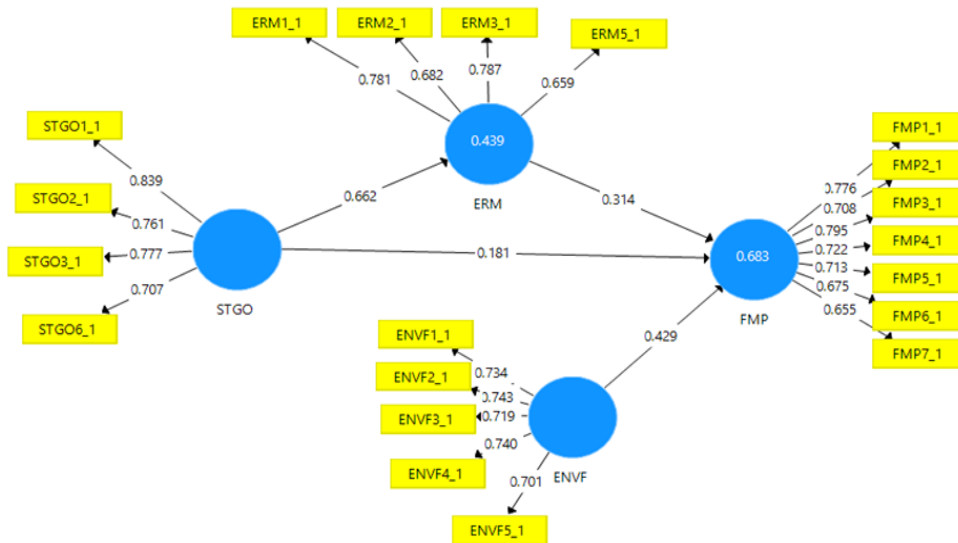


Figure 1: *Measurement Model*

Source: Author's analysis 2022.

Bootstrapping is a technique for determining the accuracy of a population-representative estimate or sample. The bootstrapping test was used to verify the confidence intervals and standard errors. This test provides t- statistics and significance level instead of regression weight or loading. At the 0.05 level or 95 percent confidence level, anything larger than 1.96 is significant.

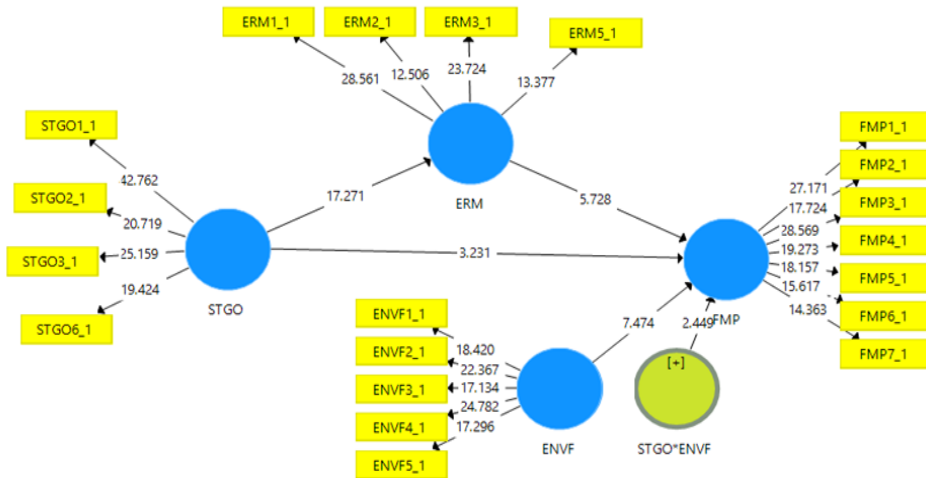


Figure 2: Structural Model

Source: Author's analysis 2022.

Table 4 shows that there is a substantial link between strategic direction and corporate risk management, with T Statistics 17.27 and P Value 0.000. T Statistics 3.231 and P Value 0.000 show a strong link between SO and company performance. With T Statistics 7.474 and P Value of 0.000, the association between environmental conditions and firm performance is significant. Furthermore, with T Statistics 5.728 and P Value 0.000, There is a strong correlation between enterprise risk management and company performance. As a result, the better the firm's performance, the higher the level of ERM practice. The moderating influence of external factors on the link between strategic orientation and corporate performance is substantial, with T Statistics 2.449 and P-Value 0.014, respectively. As a result, the relationship between strategic orientation and firm success is influenced by external circumstances.

Table 4
Bootstrap values, T' value and P-value ($p < 0.05$)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
ENVF -> FMP	0.405	0.405	0.054	7.474	0.000
ERM -> FMP	0.301	0.301	0.053	5.728	0.000
STGO -> ERM	0.662	0.665	0.038	17.271	0.000
STGO -> FMP	0.168	0.168	0.052	3.231	0.001
STGO*ENVF -> FMP	-0.085	-0.085	0.035	2.449	0.014

Source: Author's Analysis 2022.

Discussion

The study examines the association between SO and business performance, as well as the impact of ERM in mediating this relationship and the environment's moderation effect. Based on the standard regression coefficient of 0.168 and the t-statistics 3.231 of the path between SO and firm performance, it suggests a significant and beneficial effect on company performance. This investigation's findings are comparable to those of earlier research (Aloulou, 2019; Kocak, Carsrud & Oflazoglu, 2017; Dabrowski, Brzozowska-Wojs, Gołać-Andrzejak, & Firgolska, (2019; Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018; Tahir, Pasda, & Widhi, 2018). Furthermore, the path between SO and ERM has a high positive significant effect on business performance, as evidenced by a standard regression coefficient of 0.662 and t-statistics of 17.271.

Even though SMEs with a cost strategic orientation has a distinct risk appetite, the outcomes of this study show that SMEs in North East Nigeria adopt enterprise risk management to a greater degree. These results are congruent with (Frigo & Læssøe, 2012; Soltanizadeh, *et al.*, 2016; Woon *et al.*, 2011). There is a positive significant impact of ERM on firm performance, according to the standard regression coefficient of 0.301 and the t-statistics 5.72 of the path between ERM and firm performance. As a result, these findings agree with the results of (Soltanizadeh, *et al.*, 2016; Woon *et al.*, 2011). Based on the regression output of 0.405 and the t-statistics 7.474 of the path between environment and firm performance, this implies that the environment



has a positive significant effect on firm performance. This result is in line with the findings of (Mohammad, 2019; Nandakumar, *et al*, 2010).

The findings of the ERM's mediating function in the association between SO and business performance suggest that ERM is important. Partially Complementary Mediate the link between strategic direction and corporate performance. Complementary partial mediation, as suggested by Baron and Kenny (1986), happens when the direct and indirect effects are both positive and negative in the same direction. As a result of the regression results in Table 4, both direct and indirect effects are substantial, and it is resolved that ERM provides complementary partial mediation on the association between strategic orientation and SMEs' performance. This result is in line with the conclusions of (Brustbauer, 2016; Croteau & Bergeron, 2001; Peljhan *et al.*, 2018; Shirokova & Shatalov, 2010).

Finally, the standardized coefficient of the interaction item STGO*ENVF \rightarrow FMP, which was used to examine the moderating influence of environmental factors on the connection between strategic orientation and firm performance, is -0.085 (P=0.014). This suggests that each positive percentage change in the environment reduces the favorable influence of strategic orientation on firm performance by 0.085 percent. To put it another way, the environment might stifle the link between strategy orientation and company performance. The findings of this study are in line with the study (Bstieler, 2005; Calantone *et al.*, 2003; Escribá-Esteve *et al.*, 2009).

Theoretical Implications

The research contributes in a variety of ways. Despite earlier scholars' have attempted to investigate the links between SO and company performance. Although the relationship between SO and firm performance was sparsely mentioned (Ibarra-Cisneros, Demuner-Flores & Hernandez-Perlines, 2020; Nasir, Al Mamun, Breen, 2017; Ramani & Kumar, 2008; Razali, 2011; Reniguntla & Dhiman, 2021; Soltanizadeh, *et al.*, 2016; Woon *et al.*, 2011). However, the impact of strategic direction on SMEs' performance, as well as the mediating effect of ERM, has received little attention, in the Nigerian setting, the environment plays a moderating function. As a result, this study overcomes the limitations of previous research by adding to our understanding of the impact of combined SO components on SMEs' performance. Encompassing the literature on the impact of SO on ERM, learning



more about the impact of the environment on SMEs' performance, and understanding the role of the environment as a moderator in the association between SO and SMEs' performance. Furthermore, there was a lack of awareness of ERM's mediation function in the relationship between strategic direction and SMEs' performance. As a result, this study contributes to the body of knowledge by demonstrating the role of ERM as a mediating element in the relationship between SO and SMEs' performance. Finally, the study adds to the body of knowledge by adding to the limited research that has been done on the strategic direction and performance of SMEs in Nigeria.

Practical Implication

This study will aid business practitioners in the development and implementation of organizational strategy. The effect of SO on ERM adoption, the mediating role of ERM, and the moderating effect of enterprise risk management in the relationship between SO and firm performance are all explored in this study, which adds to our knowledge of ERM and the business environment. The study's managerial implications include that SMEs' managers are increasingly understanding the relevance of SO, risk management, and management of the environment in which they operate as main drivers that support the firms' significance in achieving improved performance. However, to get a competitive advantage from strategy orientation, management must put in place the processes and systems required to effectively apply a strategic orientation concept. It takes executive focus to produce a strategic orientation idea. It is critical to note that having a broad SO range is positively related to overall firm success.

5. CONCLUSION AND RECOMMENDATION FOR FUTURE RESEARCH

This current research attempts to fill three main gaps in the SO-firm performance literature: offering a Nigerian perspective and relating SO to contingency. SO, refers to a company's tendency for inventing, being proactive against competitors, and being willing to take risks to increase profitability and, ultimately, performance. Firms with a strong inclination outperform those with a low proclivity or none at all. We believe this is true among small firms in North-East Nigeria, and that the environment in which these businesses operate has an impact on how SO affects their performance. The findings have resulted in various theoretical contributions that are



in keeping with the study's goals and framework. The study sought to determine the impact of SO on small business performance in Nigeria, as well as how a hostile environment can mitigate this SO-performance link in small businesses in North-East Nigeria. These claims were founded on theories such as the contingency hypothesis. According to the contingency theory, certain normative, political, and cognitive aspects in the business environment can influence a firm's entrepreneurial tendencies, and these effects can boost a company's success. These factors, we discovered, boosted the SO-performance relationship even further. This suggests that environmental dynamics improve a firm's SO prowess, resulting in improved performance. As a result, environmental dynamics moderate SO and performance in a good way. Our findings have implications for small business management. In the same stream of results, enterprise risk management also mediated the relationship between SO and firm performance.

Pundits are increasingly paying attention to the study of SO and ERM in competitive environments. Therefore, this research has joined the trend by contributing from the perspective of Nigerian SMEs. Strategic orientation, risk management, and environmental management must all be successfully integrated to improve the performance of SMEs. Strategic orientation, ERM, and company performance all have a substantial and positive relationship. Furthermore, enterprise risk management somewhat mediates the association between strategic orientation and business performance, whereas the environment has a negative effect on the connection. As a result, the findings have several managerial implications.

This study, like any other, is not without its limitations. First, although primary data was acquired from a questionnaire survey, it was done so following scientific techniques by a competent agency. There may be a problem with fair responses, which could disrupt the planned direction; as a result, data accuracy is dubious. Second, because the questionnaire items were adapted from previous works, the essential clearance was followed by preserving items that had a factor loading of 0.7 or higher. It's possible that this isn't the greatest method for assessing constructions. Future research should include or explore new things to gauge the structures, according to the researcher. Third, this study relies on cross-sectional data gathered by questionnaires, which may not be the most effective way of disclosing the findings. As a result, longitudinal studies should be used in future research. Finally, the research was carried out in Nigeria's northeastern region. The results'



applicability may be limited. As a result, to broaden the generalizability of the findings, it may be useful to conduct a study comparing four Nigerian Zones and two or more nations.

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QUESTIONNAIRE

Section B: Strategic Orientation

The questions in this section are based on the Strategic Orientation of your organization. Please rate the extent to which your firm focuses on the following by ticking in the box on scale 1-5 for each item as Strongly Disagree (SD), Disagree (D), Undecided (UD), Agree (A) and Strongly Agree (SA)

S/N	Statement	SD	D	UD	A	SA
1.	We continually monitor customers and competitors to find new ways to improve customer satisfaction.					
2.	We freely communicate information about our successful and unsuccessful customer experiences with our staffs.					
3.	Our strategy for competitive advantage is based on our understanding of customer's need					
4.	This firm believes that each customer cannot be satisfied with the same set of products and services					
5.	This firm consciously seeks to identify and acquire new customers individually					
6.	This firm believes that customers reactions to marketing action should be observed at the individual level					
7.	We have launched many new products/services on the market during the last five years					
8.	The changes introduced in our product/services are usually important					
9.	We usually adopt an aggressive attitude towards our competitors					



Section C: Enterprise Risk Management

The following questions are related to your organization risk management taking. Please indicate your assessments of environmental factors by ticking in the box on scale 1-5 for each item as Strongly Disagree (SD), Disagree (D), Undecided (UD), Agree (A) and Strongly Agree (SA)

S/N	STATEMENT	SD	D	UD	A	SA
1.	We tend to carry out risky projects when they involve profitable opportunities					
2.	When uncertainty is high, we adopt a brave and aggressive attitude to exploit possible opportunities					
3.	Provides a common understanding of the objectives of each ERM initiative					
4.	Provides enterprise-wide information about risk					
5.	Provides the rigor to identify and select risk responses (i.e. risk-avoidance, reduction, sharing, and acceptance)					

Section D; Environmental Factors

The following questions are related to your firm's environment. Please indicate your assessments of environmental factors by ticking in the box on scale 1-5 for each item as Strongly Disagree (SD), Disagree (D), Undecided (UD), Agree (A) and Strongly Agree (SA)

S/N	STATEMENT	SD	D	UD	A	SA
1.	In our kind of business, the customer's product preference changes quite a bit over time.					
2.	Our customers tend to look for new products all the time.					
3.	Sometimes our customers are price-sensitive, but on other occasions, the price is relatively unimportant.					
4.	Competition in our industry is quite intense.					
5.	There are many sales-promotion campaigns in our industry.					
6.	Anything one competitor can offer others can match readily.					
7.	Price competition is a common practice in our industry.					



Section D: Firm Performance

Please indicate the extent to which you have been successful in achieving each of the following performance of your firm. For each question please mark by ticking in the box on scale 1-5 for each item as Strongly Disagree (SD), Disagree (D), Undecided (UD), Agree (A) and Strongly Agree (SA).

S/N	STATEMENT	SD	D	UD	A	SA
1.	Objective firm-level market share					
2.	Perceived overall firm-level performance					
3.	Perceived firm-level sales (growth) performance					
4.	Objective firm-level sales performance					
5.	Perceived firm-level financial performance					
6.	Objective firm-level financial performance					
7.	Perceived new product/innovation performance					
8.	Objective innovation performance					