INTERACTIVITY OF STRATEGIC ORIENTATIONS AND ENTERPRISE RISK MANAGEMENT IN ADVANCING FINANCIAL PROSPERITY OF MSMEs IN GHANA

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ABSTRACT

Business leaders and academics in the business management space continue to find ways to enhance the financial prosperity of MSMEs in the wake of continual threatening business environmental risks. Many continue to view business strategy as a key tool for business advancement. This research aims to study the mediating effect of ERM on the impact of prospector and defender strategies on financial prosperity of Ghanaian MSMEs. Quantitative data was collected with aid of questionnaire. The study employed the partial least square structural equation modelling (PLS-SEM) via SmartPLS in testing the hypotheses of the study. The results indicated that ERM significantly mediates the relationship between prospector and defender strategies and the financial prosperity of MSMEs serving as mechanism through which strategic orientations translate into financial outcomes. The findings of the research proved advantageous for managers of MSMEs in that it aids them to push for knowledge regarding the influence of diverse business strategies on financial performance and be able to identify risks that militate against firms' financial prosperity. The results of the study can be utilised by policymakers in formulating policies and devising supportive programmes on efficient adoption of business strategies and the effective implementation of enterprise risk management practices.

Keywords: Prospector strategy, Defender strategy, financial prosperity, Mediating role.

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) encounter significant obstacles to growth and competitive positioning, primarily stemming from resource scarcity, intense market competition and financial constraints (Brustbauer, 2016). These challenges are intensified by fluctuations in the market, changes in consumer preferences and regulatory frameworks. (Geels & Schot, 2007). Within a dynamic business environment, strategy is recognized as the essential means through which Micro, Small, and Medium Enterprises (MSMEs) attain competitive advantages and achieve growth, thereby leading to financial prosperity. (Singh & Paliwal, 2017; Syapsan, 2019).

An example of a strategic approach, such as the prospector strategy, is defined by its emphasis on innovation, new product development and the exploration of emerging markets.(Ammar & Chereau, 2018; Hagen et al., 2017; Maury, 2022) Well executed prospector orientation according to several researchers, translate innovative strategies and proactive initiatives into a sustainable competitive advantage and financial ascendancy (Marin et al., 201; Schulze et al., 2022;(Nobanee et al., 2023)

The defender strategy denotes a strategic approach wherein a firm endeavours to preserve its market position by concentrating on defending its existing products and services, rather than aggressively pursuing innovation or entering new markets.(Parsons & Lepkowska-White, 2018; Peljhan et al., 2018; Wang et al., 2021). Current scholarly literature examining the impact of the defender strategy suggests that its primary orientation is the preservation of market position, rather than innovation. Consequently, the adoption of the defender strategy, may not necessarily result in financial growth.(Das & Canel, 2023; O'Connor & Kelly, 2017).

In the pursuit of effective business practice and the quest to navigate the complex business environment and address the associated threats to achieving intended business strategies, scholars have examined the interaction between Enterprise Risk Management (ERM) and business strategy as facilitators of firm success. ERM is a comprehensive approach employed by firms to systematically identify, assess, prioritize, and manage risks across the entire organization that have the potential to impact negatively firms' strategic objectives.(Testorelli et al., 2022). By integrating these strategies alongside effective risk management protocols, Micro, Small, and Medium Enterprises (MSMEs) can improve their financial performance.(Ragazou et al., 2022). Kwaku Amoah (2018),writing on the impact of strategy in MSMEs success in the Ghanaian context, viewed strategy from the general perspective, failing to specifically consider the prospector and defender strategies as approaches to generating financial prosperity. This paper seeks to contribute to knowledge on how the prospector and defender strategies can impact firm's finances in the Ghanaian context. Their works also failed to look at how strategy interacts with risk management in ensuring success of strategic direction, considering the fact that according to Baird (1985), for every strategic move, risk is bound to happen. This article clearly seeks to contribute to the literature on risk management in MSMEs space by looking at the mediating role of ERM and the collective impact of prospector and defender strategies and Enterprise Risk Management and how these interactions impact firm's finances. A review of literature furthermore indicates bank financing and technology adoption as key means to generating success for MSMEs in the Ghanaian business setting. (Agus et al., 2024; Kibor, 2024;Thompson et al., 2017).These articles however

failed to view these measures with strategic lens , contradicting the views of Jarzabkowski & Whittington (2008), when they indicated that for any adoption of internal or external factors to yield full benefits to business, practitioners must view the adoption or introduction from the point of view of strategy.

The study intends to investigate the direct impact of Miles and Snow's prospector and defender strategies on the financial performance of Micro, Small, and Medium Enterprises (MSMEs), while also exploring the mediating role of Enterprise Risk Management (ERM) in this relationship. Specifically, this research seeks to address the following inquiries: 1. Does prospector Strategy influence MSMEs financial prosperity? 2.Does defender strategy influence financial prosperity of MSMEs? 3. Does prospector strategy influence ERM practices 4. Does defender strategy influence ERM practices? 5.Do ERM practices mediate the relationship between prospector strategy and MSMEs financial prosperity? 6.Do ERM practices mediate the relationship between defender strategy and financial prosperity of MSMES?

The article is divided into six parts. Part 1 Introduces the paper and indicates the objectives and limitations of previous studies. Part 2 presents the review of literature and theoretical framework, outlining the research hypotheses. In part 3, the research design is described, including the methods, data, and tool for analysis, part 4 is the discussion bit of the research, while Part 5 presents the discussions of the study, and part 6 of this research indicates the conclusion, research significance and research limitations.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 *Prospector Strategy and Financial Prosperity*

The Prospector strategy, as conceptualized by Miles and Snow, is a type of business strategy characterized by a primary emphasis on innovation and the pursuit of new opportunities within a dynamic market, aiming to be the pioneer in entering new markets(Lundgaard and Rosenstand, 2019) . These firms are recognized for their risk-taking orientation and determination to gain competitive advantage within a dynamic market, emphasizing the establishment of new product lines to the market.(Breslin and Gatrell, 2023; Das and Canel, 2023;Alnoor et al., 2022). Regarding the impact of this strategy on MSMEs, existing literature suggests that by being the initial entrants into markets, such firms can capture a substantial market share, establish brand recognition, and cultivate customer loyalty, thereby contributing to increased revenue (Kerin et al., 1992). This strategic orientation contributes to financial stability by reducing reliance on a single product or market segment. Therefore,

H1: There is a significant and positive relationship between Prospector Strategy and Financial prosperity of MSMEs.

2.2 Defender Strategy and Financial Prosperity

The leadership orientation of firms employing the defender strategy differs from those emphasizing the prospector strategy. Defender strategy firms prioritize maintaining a stable market position without pursuing aggressive business growth strategies(Habib et al., 2023).Defender firms carve out a specific market niche and concentrate on safeguarding their established products or services (Habib et al., 2023) These firms focus on optimizing operational efficiencies and controlling costs to attain operational excellence, which in turn enhances their ability to compete effectively in the current market landscape (Das & Canel, 2023). According to Dvorsky et al. (2021), Linton & Kask (2017) and Nicholson-Crotty et al. (2017), firms that adopt the defender strategy tend to exhibit risk aversion and may be less inclined to make substantial investments in new and innovative products and services. Instead, they prioritize refining and enhancing existing products and services. Another key characteristic of firms that implement the defender strategy is their reduced responsiveness to changes in the external environment, as they prioritize maintaining stability (Stone & Rahimifard, 2018). They further hypothesize that this characteristic renders them vulnerable to significant market or industry shifts.

Contrary to Kibisu and Awino (2017), Jackson (2022) postulate that firms that deploy the defender strategy maintain a strong position in the existing markets which can lead to consistent revenue streams and financial stability. This study hypothesizes therefore that,

H2: There is significant and Positive Relationship between the Defender strategy and financial prosperity.

2.3 Business Strategy and Enterprise Risk management

Organizations encounter various risks both internally within the organization and externally in the broader business environment. The aim of Enterprise Risk Management (ERM) is to effectively manage all encountered risks and capitalize on available opportunities that may enhance profitability(Fan & Stevenson, 2018). Business enterprises are thus tasked with developing strategies aimed at mitigating risks (Reim et al., 2020). Enterprise Risk Management (ERM) intersects with strategy in three key ways: Firstly, a successful ERM program must be closely integrated with the firm's overall strategy. Secondly, ERM should identify potential events or risks that could affect business performance. Thirdly, the objective of ERM is to facilitate the accomplishment of a firm's strategic objectives (Mahmod et al.,2018). Gualandris and Kalchschmidt (2015) contend that companies may forfeit their competitive advantage if they fail to adopt robust Enterprise Risk Management (ERM) practices.

Consequently, business strategies like the prospector strategy and defender strategies play a pivotal role in shaping and adapting ERM practices (Soltanizadeh,2015).Prior studies have indicated a significant relationship between strategic activities and ERM (Syapsan, 2019). Therefore;

H3a: There is a positive and significant Relationship between ERM and Prospector Strategy
H3b: There is a positive significant Relationship between ERM and Defender Strategy

2.4   Enterprise Risk management and Financial Sustainability

The existing literature reviewed suggests that Micro, Small, and Medium Enterprises (MSMEs) integrating Enterprise Risk Management (ERM) practices into their operations and strategic management processes typically demonstrate superior performance, greater financial sustainability, and enhanced resilience over the medium to long term (Kaombe,2021).This, according to Ebitu et al. (2016) and Erdiaw-Kwasie et al. (2023), is as a result of the ability of leadership of Micro, Small, and Medium Enterprises (MSMEs) to systematically identify, assess, and integrate risk considerations into strategic decision-making processes significantly enhances overall performance. A comprehensive review of the literature within the Ghanaian context highlights a limited exploration by scholars on the impact of risk management practices on firm performances. Specifically, our investigation revealed a notable absence of research linking Enterprise Risk Management (ERM) practices to the financial sustainability of MSMEs within the Ghanaian context. This research endeavour aimed to address this gap in the literature by investigating the relationship between ERM practices and the financial sustainability of MSMEs in Ghana. The primary objective of this study was to contribute new insights to the literature examining the influence of ERM practices on the financial sustainability of MSMEs within the Ghanaian context. Furthermore, it is anticipated that the findings from this research will offer valuable guidance to business practitioners, enhancing their understanding of the role of ERM in achieving business success. The research therefore posits that,

H4: There is a positive and significant relationship between Enterprise Risk management and Financial Sustainability

2.5   The Mediating Role of ERM between Business strategy and Financial Performance

A body of research has discussed the relationship between strategy and firm performance.(Croteau & Bergeron, 2001; Goyal et al., 2013; Luoma, 2015; Mohammed, 2018; Parnell, 2010) Some researchers have focused on the direct effect of business strategy on firm performance(Afriyie et al., 2019). Other scholars, however, argue that the relationship is mediated by certain variables (Karunaratne Alawattegama, 2018; Nasr et al., 2019). Firms experience a myriad of business shocks; these shocks have impact on the internal management systems of firms. and to overcome these shocks and still achieve strategic objectives, leadership of such firms are able to organize ERM as series of mechanisms through which the influence of strategy is felt on financial performance. (Bodolica & Spraggon, 2021). Hence,

H5a. Enterprise Risk management mediates the relationship between Prospector strategy and financial prosperity of MSMES.
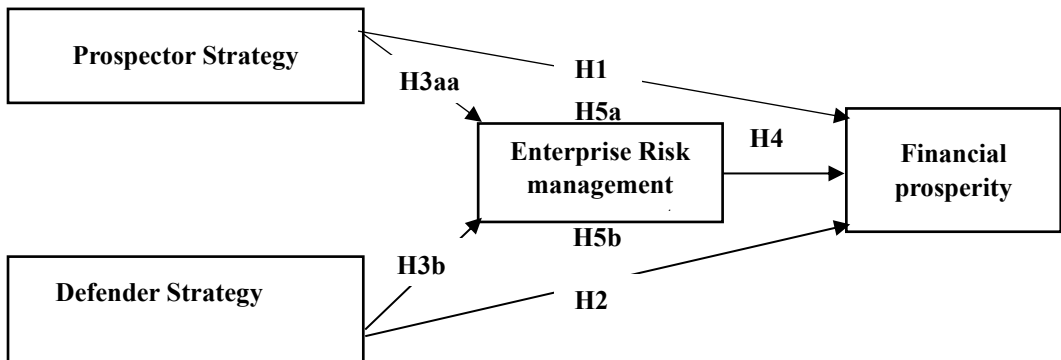
H5b. Enterprise risk Management mediates the relationship between the Defender strategy and financial prosperity of MSMEs.

2.6 Theoretical Framework

This study was grounded in a number of theoretical frameworks. The resource -based view theoretical framework as the foundation for exploring the interrelationships among business strategies prospector and defender, enterprise risk management and financial prosperity within MSMEs. The Resource Based View (RBV) theory indicated that a company's competitive advantage and performance are determined by its distinct and treasured resources and capabilities.(Arend & Lévesque, 2010).The Resource Based View (RBV) theory posits that a company's resources, including both the tangible and intangible assets as well its organizational capabilities, play a crucial role in the formulation and execution of successful business strategies(Galbreath, 2023).Prior research has demonstrated the favourable influence of the Resource-Based View on the development of business strategy and financial outcomes in diverse sectors (2018; Murphy, 2000).

The Schumpeterian theory of innovation is the second frame work upon which this research is built. This theory emphasizes innovation as a factor that drives economic growth and firm's prosperity, indicating further that innovation involves the introduction of novelty into firms' economic activity by introduce new products, processes, or business models that disrupt existing markets.(Chen et al., 2018; Edwards-Schachter, 2018). By introducing innovative solutions that address unmet needs or offer superior value, Martínez Vergara (2022) postulates that these firms can capture significant market share leading to higher revenue and profitability. Prior research has shown positive influence of the Schumpeterian theory on the financial outcomes of firms.

2.7 Research framework

3. METHODOLOGY

The research utilised a quantitative methodology grounded in a positivist philosophical perspective and implemented a descriptive survey design (Ngulube, 2015).The positivist philosophical perspective Alakwe(2017),Alnoor indicates that research data and information should be based on observable facts derived through measurements,

The research focused on MSMEs that are legally registered with the registrar's general department and operate within Ghana. According to the National Board for Small-Scale Industries (NBSSI), the total number of MSMEs in Ghana was approximately 2.1 million, out of which 900 were documented in their database. The study targeted MSMEs that were registered in the NBSSI database. A sample of 385 MSMEs was chosen using the finite sample size determination formula. Prášková and Sen (2009) explains that in research, a population where all the members are known and can be counted is termed a finite population. A finite sample size method according to Doreen Said Pace (2021), therefore, is deployed where elements in the population are determined upfront and hence a fixed sample size can be determined. The study employed stratified and simple random sampling techniques to select MSMEs for inclusion in the study. The process of stratification was employed, utilising the regional data present in the NBSSI database. A simple random sampling technique was used to choose the MSMEs from each stratum. A total of 272 MSMEs were selected, with approximately 17 MSMEs being chosen from each region. This approach was adopted with the objective of enhancing the response rate. The contact details of the selected MSMEs were acquired from the database of the NBSSI and the questionnaires were disseminated to the managers of MSMEs through email and WhatsApp messaging platform, utilising Google Forms as the medium of distribution. Before taking part in the study, the participants were guaranteed the confidentiality of their answers and gave their informed consent, thereby complying with ethical standards.

The study's dependent variable the financial prosperity (FP), is measured by the following metrics: return on assets, sales growth, profitability, assets turn over and improvement of production cost. These metrics denoting the financial performance (FP) were calculated based on the financial data collected from MSMEs during the fiscal year of 2023 through the use of a questionnaire. The independent variables comprise two distinct factors, namely the prospector strategy (PS) and defender strategy (DF) and ERM as the mediating variable. The measurement of each variable was done using a 7-point Likert scale with each variable having five items.

The survey instrument enabled participants to express their extent of agreement or disagreement with the statements measuring the business strategies. The research adhered strictly to ethical guidelines about informed consent, data confidentiality, and anonymity. The study's purpose and the participants' rights as subjects were communicated to the participants. The period of data collection spanned from September 1, 2023, to December 4, 2024. The Partial Least Square Structural Equation Modeling (PLS-SEM) was used to determine the validity and reliability of the constructs in the research instruments in a pilot study involving 40 MSMEs. Modifications were made by the researchers to enhance the internal consistency of the items. The outcome of the pilot study exhibited appropriate levels for reliability and validity. During this period, reminders were sent to individuals who did not respond to encourage them to respond to the questionnaire. The study obtained a response rate of 82.0% with a total of 223 responses received. Appropriate

instruments and methods were utilised for conducting data management and analysis. The data was systematically arranged, cleansed, and coded in preparation for the examination.

4. RESULTS

4.1 Respondents' profile

Within the surveyed cohort of 223 participants from micro, small, and medium enterprises (MSMEs) in Ghana, the distribution across business types showcases a predominance in the manufacturing (37.2%) and services (35.9%) sectors, indicative of the sectoral emphasis within the Ghanaian MSME landscape. Trading and agriculture represented smaller proportions, with 7.2% and 19.7% respectively, highlighting the diverse yet focused nature of entrepreneurial ventures in the region. In terms of employment size, a significant majority of enterprises employ between 10 to 99 individuals (90.1%). The respondent roles within these enterprises were majorly branch managers (44.8%) and directors (25.1%). Educational attainment among respondents was notably high, with 43.5% holding bachelor's degrees, master's degree (26.5%) or professional qualifications (29.1%). Finally, the tenure within their current positions, with a significant 82.9% having over five years of experience, suggests a seasoned and potentially stable leadership within the MSME sector

Profile		Count	%
Business Type	Manufacturing	83	37.2%
	Trading	16	7.2%
	Services	80	35.9%
	Agriculture	44	19.7%
	Total	223	100.0%
Number of employees	1-6	22	9.9%
	10-29	93	41.7%
	30-99	108	48.4%
	Total	223	100.0%
Position	Director	56	25.1%
	Branch manager	100	44.8%
	Functional manager	34	15.2%
	Others	33	14.8%
	Total	223	100.0%
Educational level	Bachelors	97	43.5%
	Masters	59	26.5%
	Doctoral	0	0.0%
	Professional qualification	65	29.1%
	Others	2	0.9%
	Total	223	100.0%
Years in position	Below 5 years	38	17.0%
	Above 5 years	96	43.0%

Profile		Count	%
	Above 10 years	89	39.9%
	Total	223	100.0%

4.2 Measurement model assessment

In this section, we employed Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4 to assess the construct reliability, convergent validity, and discriminant validity of the measurement model. Table 2 illustrates that all the four constructs exhibit high composite reliability scores, exceeding the threshold of 0.7 as recommended by Hair et al. (2019) thereby affirming the reliability of the constructs. Similarly, the AVE for each construct ranges from 0.752 to 0.883 surpassing the 0.5 benchmark. This is indicating satisfactory convergent validity. This is further evidenced by significant t-statistics for all item loadings, demonstrating that the items are highly representative of their respective constructs (Hair et al., 2019).

Discriminant validity, assessed through the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio, as shown in Table 3, confirms that constructs share more variance with their indicators than with other constructs, thereby establishing their distinctiveness. The square root of the AVE for each construct (e.g., 0.917 for BS_Ds) is greater than the correlations with other constructs, aligning with recommendations. The HTMT values, all below the threshold of 0.90 (Henseler et al., 2015), further corroborate the discriminant validity. We, therefore, proceeded to assess the structural model in the next section as indicated by (Hair et al., 2019).

Table 2: Construct reliability and convergent validity estimation

Constructs/Items	Loadings	SE	t-statistics	CA	CR (rho_c)	AVE
Defender Strategy (BS_Ds)				*0.954*	*0.963*	*0.841*
BS_Ds1	0.905	0.055	16.495			
BS_Ds2	0.950	0.049	19.581			
BS_Ds3	0.900	0.055	16.350			
BS_Ds4	0.889	0.053	16.929			
BS_Ds5	0.938	0.048	19.620			
Prospector Strategy (BS_Ps)				*0.967*	*0.974*	*0.883*
BS_Ps1	0.929	0.010	90.077			
BS_Ps2	0.951	0.007	141.003			
BS_Ps3	0.937	0.007	135.359			
BS_Ps4	0.955	0.006	169.806			
BS_Ps5	0.924	0.012	74.283			
Enterprise Risk Management (ERM)				*0.934*	*0.948*	*0.752*
ERM1	0.913	0.015	61.628			
ERM2	0.904	0.016	55.504			
ERM3	0.854	0.023	37.505			
ERM4	0.836	0.024	35.653			
ERM5	0.833	0.026	32.467			
ERM6	0.861	0.021	40.610			
Financial Prosperity (FP)				*0.943*	*0.957*	*0.815*
FP1	0.911	0.011	79.688			

Constructs/Items	Loadings	SE	t-statistics	CA	CR (rho_c)	AVE
FP2	0.879	0.018	48.806			
FP3	0.926	0.014	66.276			
FP4	0.852	0.023	37.614			
FP5	0.944	0.009	106.417			

Table 3: Discriminant validity estimation

Fornell-Larcker criterion				
Constructs	**BS_Ds**	**ERM**	**FP**	**BS_Ps**
Defender Strategy (BS_Ds)	*0.917*			
Enterprise Risk Management (ERM)	-0.201	*0.867*		
Financial Prosperity (FP)	-0.132	0.821	*0.903*	
Prospector Strategy (BS_Ps)	-0.686	0.481	0.423	*0.939*
HTMT criterion				
Constructs	**BS_Ds**	**ERM**	**FP**	**BS_Ps**
Defender Strategy (BS_Ds)				
Enterprise Risk Management (ERM)	0.196			
Financial Prosperity (FP)	0.130	0.870		
Prospector Strategy (BS_Ps)	0.697	0.502	0.441	

4.3 *Structural model assessment for hypotheses testing*

Prior to the examination of the hypotheses, we examined the VIF to ensure the absence of multicollinearity among predictors, thereby confirming the reliability of the estimated effects within the model. This preliminary step was crucial for validating the integrity of the statistical analysis and the interpretability of the results (Hair et al., 2020).The VIF values presented in Table 4 suggest that multicollinearity is not a significant concern in the model, with all VIFs well below the commonly accepted threshold of 5. This indicates that the predictors in the model are not overly correlated, ensuring that the estimated effects are reliable. The model summary, indicated by the SRMR of 0.060 and the normed fit index (NFI) of 0.875, suggests an acceptable fit to the data (Hu & Bentler, 1999). Additionally, the model explains a substantial amount of variance in enterprise risk management and financial prosperity, with adjusted R^2 values of 0.256 and 0.678, and Q^2 values of 0.248 and 0.211, respectively, demonstrating the model's explanatory power and relevance.

The direct effects analysis (see Figure 1 and Table 4) reveals that both prospector and defender strategies have a positive impact on financial prosperity, with prospector strategy showing a slightly higher beta coefficient ($\beta = 0.116$; CI = 0.021 - 0.212; t = 2.379; p = 0.017; $f^2 = 0.017$) compared to defender strategy ($\beta = 0.105$; CI = 0.015 - 0.209; t = 2.129; p = 0.033; $f^2 = 0.017$). Moreover, both strategies significantly influence enterprise risk management, with prospector strategy exerting a much stronger effect ($\beta = 0.650$; CI = 0.501 - 0.773; t = 9.290; p < 0.001; $f^2 = 0.304$) than defender strategy ($\beta = 0.248$; CI = 0.117 - 0.402; t = 3.427; p = 0.001; $f^2 = 0.044$). These findings indicate that the strategic orientation of an enterprise significantly contributes to its risk management practices and financial outcomes.
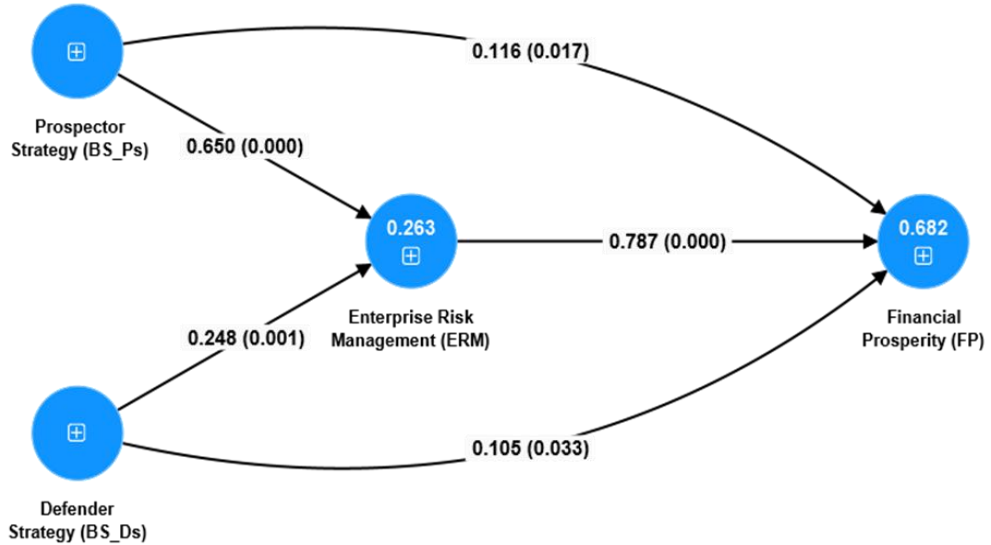
Concerning the mediating effects, enterprise risk management serves as a significant mediator in the relationship between both prospector strategy and defender strategy with financial prosperity. The indirect effect of prospector strategy through enterprise risk management on financial prosperity is substantial (β = 0.512; CI = 0.398 - 0.621; t = 8.858; p < 0.001), indicating a strong mediating role of enterprise risk management. Similarly, defender strategy's effect on financial prosperity, mediated by enterprise risk management, is also positive and significant (β = 0.196; CI = 0.087 - 0.325; t = 3.226; p = 0.001).

Table 4: Hypotheses-testing results

Effects	VIF	β	LCI (2.5%)	UCI (97.5%)	SE	*t*-statistics	*p*-values	f^2
Direct effects								
BS_Ps->FP	2.462	0.116	0.021	0.212	0.049	2.379	0.017	0.017
BS_Ds->FP	1.971	0.105	0.015	0.209	0.049	2.129	0.033	0.017
BS_Ps->ERM	1.890	0.650	0.501	0.773	0.070	9.290	0.000	0.304
BS_Ds->ERM	1.890	0.248	0.117	0.402	0.072	3.427	0.001	0.044
ERM->FP	1.357	0.787	0.713	0.842	0.032	24.688	0.000	1.435
Indirect effects (Mediating effect of ERM)								
BS_Ps->ERM->FP	N/A	0.512	0.398	0.621	0.058	8.858	0.000	N/A
BS_Ds->ERM->FP	N/A	0.196	0.087	0.325	0.061	3.226	0.001	N/A
Model fit								
SRMR				**NFI**				
0.060				0.875				
Model's explanatory power and relevance								
Constructs	**R²**		**R² adjusted**			**Q²predict**		
ERM	0.263		0.256			0.248		
FP	0.682		0.678			0.211		

Note: *VIF = Variance Inflation Factor; SRMR = Standardized Root Mean Square Residual; NFI = Normed Fit Index*

Figure 1: Structural path estimates

5. DISCUSSION

The findings from this study provided substantial empirical support for the pivotal role of strategic orientations—prospector and defender strategies—in enhancing the financial prosperity of MSMEs. Consistent with Hypothesis 1 (H1), the prospector strategy showed a significant and positive relationship with financial prosperity. This supported the notion that MSMEs adopting a prospector strategy can achieve greater financial outcomes by leveraging opportunities in dynamic market environments. Consistent with prior research, it has indicated that being driven by a strong risk taken orientation and a zest for competitive advantage, such firms focus on developing and introducing new products to the market with the drive to capture a segment of market. This phenomenon according to recent literature becomes the source of financial prosperity for these firms in the medium to long term (Breslin & Gatrell, 2023; Das & Canel, 2023).This finding therefore aligns with the Schumpeterian theory of innovation, which emphasizes the role of innovation in driving economic growth and firm's prosperity, indicating that innovation involves the introduction of novelty into firms' economic activity by introducing new products, processes, or business models that disrupt existing markets.(Chen et al., 2018; Edwards-Schachter, 2018). The results of this study on influence of prospector strategy on financial prosperity of firms supports that stand of Martínez Vergara (2022) that, when firms deploy the prospector strategy, they are able to capture significant market share and establish strong brand recognition, capturing the attention of consumers and eventually leading to higher revenue and profitability.

Similarly, Hypothesis 2 (H2) was confirmed, indicating that the defender strategy, which emphasises efficiency, cost control in existing markets, also positively impacts the financial prosperity of MSMEs. The finding was also supported by Jackson (2022) by indicating that firms that deploy the defender strategy maintain a strong position in the existing markets which can lead to consistent revenue streams and financial stability. This finding therefore aligned with the resource-based view, suggesting that optimising and protecting existing resources and capabilities can lead to sustainable competitive advantages and financial success (Willie, 2024).At variance however to these study is the work by Kibisu and Awino (2017), which indicated that with a lower level of risks taking, defender strategies firms may provide stability, however this approach to business might limit opportunities for long term financial growth in a rapidly changing industries. The variation in findings in research works may be based on contextual factors such as geographical location, time locations, population demographics and even cultural influences.(Bottema-Beutel et al., 2014). In the context of this study, such variations in contextual factors across studies may have impacted the generalizability contributing to differences in results.

Furthermore, the relationship between strategic orientations and enterprise risk management practices within MSMEs was explored. There is a positive and significant relationships posited in Hypotheses 3a and 3b between both prospector and defender strategies with enterprise risk management which suggests that strategic orientation influences how MSMEs approach risk management. Specifically, enterprises that proactively engage in either exploring new opportunities or defending existing markets are more inclined to adopt comprehensive risk management practices. This according to Aven (2016) may be due to the recognition that effective enterprise risk management can support the strategic objectives by identifying, assessing, and mitigating risks associated with their strategic pursuits.

The significant and positive relationship between enterprise risk management and financial prosperity of MSMEs, as proposed in Hypothesis 4, underscores the crucial role of enterprise risk management in enhancing financial performance. This finding corroborates the argument that effective risk management practices are not merely compliance or operational necessities but strategic tools that contribute to financial health and sustainability. Bojanc and Jerman-blaz (2008), supports the assertion that by effectively managing risks, MSMEs can avoid potential financial losses, capitalize on opportunities, and ensure a more predictable and stable financial performance. Thus, our research provides empirical evidence in favour of the proposition that a positive and statistically significant correlation exists between enterprise risk management and financial prosperity of MSMEs, as posited in hypothesis H4.

Lastly, the mediation effects posited in Hypotheses 5a and 5b were substantiated, demonstrating that enterprise risk management significantly mediates the relationship between both prospector and defender strategies and financial prosperity. This mediation effect highlights the integral role of enterprise risk management as a mechanism through which strategic orientations translate into financial outcomes. It suggests that the benefits of adopting either a prospector or defender strategy on financial prosperity are partly realised through effective risk management practices. Therefore, MSMEs are encouraged to integrate their strategic orientations with enterprise risk management processes to enhance their financial prosperity, supporting a holistic approach to strategic management and risk management integration.

6. CONCLUSION

This study investigated the nexus of the strategies prospector and defender, enterprise risk management, and financial performance within the framework of MSMEs in Ghana. The findings of this study make a valuable contribution to the current body of literature by emphasising the importance of various business strategies and the mediating influence of enterprise risk management on financial prosperity. The findings of the paper offer significant perspectives on the interconnections among business strategy, enterprise risk management, and financial prosperity of MSMEs. The findings indicate that the implementation of a prospector strategy and defender strategies have a favourable influence on the financial performance of MSMEs. This suggests that MSMEs that prioritise and deploys the prospector strategy by developing and introducing new products to the market are more inclined to witness an increase in sales revenues, profitability, and market share. The results also shows that MSMEs that prioritize the defender strategy through process efficiency, cost control and maintenance of a strong position in the existing markets, are more inclined to witness an increase in revenue and profitability. The research additionally emphasises the influence of business strategies on the adoption of enterprise risk management practices. The research suggests that strategic orientation influences how MSMEs approach risk management. The research again emphasises the mediating function of enterprise risk management in the correlation between business strategy and fiscal outcomes. The research suggests that the benefits of adopting either a prospector or defender strategy on financial prosperity are partly realised through effective risk management practices. Therefore, MSMEs are encouraged to integrate their strategic orientations with enterprise risk management processes to enhance their financial prosperity, supporting a holistic approach to strategic management and risk management integration.

The findings hold significant ramifications for managers of small and medium-sized enterprises, policymakers, and scholars. It is advantageous for managers of MSMEs to possess knowledge regarding the influence of diverse business strategies on financial performance. Additionally, they should contemplate the potential risks and benefits linked with each strategy. It is recommended that priority be given to the implementation of efficient enterprise risk management practices to mitigate potential risks and improve financial outcomes. The results of this study can be utilised by policymakers in formulating policies and devising supportive programmes aimed at promoting the adoption of efficient business strategies and the implementation of enterprise risk management practices among small and medium-sized enterprises.

Nevertheless, it is crucial to recognise the limitations of this research. The study primarily centred on MSMEs located in Ghana. This may potentially restrict the applicability of the results to other geographic regions. Subsequent investigations may examine these associations across various nations or territories to authenticate the results. The utilisation of cross-sectional data in the study imposes limitations on the capacity to establish causal connections between variables. The utilisation of longitudinal or experimental designs may offer more robust support for establishing causal inferences. Furthermore, the research did not investigate alternative mediating factors that may impact the analysed associations. Future studies may incorporate supplementary contextual elements to provide more all-encompassing comprehension.

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